



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT EXAMINATION REPORT

OF

Unified Life Insurance Company

7201 W. 129th Street, Suite 300
Overland Park KS 66213

As of: March 11, 2022
Issued: April 15, 2022

**DIVISION OF HEALTH MARKET CONDUCT
OFFICE OF MARKET REGULATION**



**PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION**

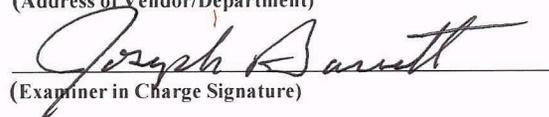
I, Joseph Barrett, Market Conduct Examination Chief, Pennsylvania Insurance Department, certify that I was the Examiner-In-Charge of the Report of the Examination of Unified Life Insurance Company, made as of 04/15/2022. The last date of examination file review was 03/11/2022 and the written Report of Examination was reviewed and accepted by David Buono, Deputy Insurance Commissioner, on 04/15/2022.

I have reviewed the completed written Report of Examination and certify that the facts and figures recited herein are true and accurate, according to the records, documents, and other evidence obtained during the course of the examination.

Joseph Barrett
(Examiner-in Charge)

Pennsylvania Insurance Department
(Name of Vendor/Department)

1209 Strawberry Square, Harrisburg, PA
(Address of Vendor/Department)


(Examiner in Charge Signature)

4/15/2022
(Date)

IN ORDER TO SATISFY 40 P.S. § 323.5(b), WHICH PROVIDES THAT NO LONGER THAN SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF EXAMINATION UNDER OATH.

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this __31st__ day of __March__, 2022, 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 David J. Buono, Jr., 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 Humphreys
Acting Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

| | | |
|----------------------------------|---|---|
| IN RE: | : | VIOLATIONS: |
| | : | |
| Unified Life Insurance Company | : | 40 P.S. §§ 310.47; 323.3(a); 323.4(b); 324.11; |
| | : | 472; 1171.5(a)(10)(ii), (iii), (v); 1171.5(a)(11) |
| 7201 W. 129 th Street | : | |
| Overland Park, KS 78701-3218 | : | 31 Pa. Code §§ 51.22; 51.23; 51.3; 146.5(b); |
| | : | 146.6; 146.7(c)(1) |
| | : | |
| | : | |
| Respondent | : | Docket No. MCMC22-04-010 |

CONSENT ORDER

And now, this 17th day of May, 2022, 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 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 Unified Life Insurance Company, 7201 W. 129th Street, Overland Park, KS 78701-3218.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2016 to September 30, 2017.
- (c) On April 15, 2022, the Insurance Department issued a Market Conduct Examination Report to Respondent (“Examination Report”).
- (d) Respondent did not provide a response to the Examination Report to the Insurance Department.
- (e) All findings and conclusions in the Examination Report, which is attached hereto, are hereby incorporated into this Consent Order.

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) Violations of 40 P.S. §§ 310.47, as contained in the Examination Report, are punishable by the following under 40 P.S. §§ 310.91 and 310.92:

- (1) Denial, suspension, refusal to renew or revocation of the license.
- (2) Imposition of a penalty of not more than five thousand dollars (\$5,000.00) for each violation.
- (3) An order to cease and desist.
- (4) Any other conditions as the commissioner deems appropriate.
- (5) An injunction.

(c) Violations of 40 P.S. §§ 324.11, as contained in the Examination Report, are punishable by the following under 40 P.S. §§ 324.13(b):

- (1) Suspension, revocation or refusal to renew the license.
- (2) Imposition of a penalty of not more than five thousand dollars (\$5,000.00) for each violation.
- (3) An order of restitution.

(d) Violations of 40 P.S. § 472, as contained in the Examination Report, are punishable by the following under 40 P.S. § 475:

- (1) Revocation of the certificate of authority of offending company, association or exchange.
- (2) Refusal, for a period of not to exceed one year thereafter, to issue a new license to offending company, association or exchange.

(3) Imposition of a penalty of not more than one thousand dollars (\$1,000.00) for each violation.

(e) Violations of 40 P.S. §§ 1171.5(a)(10)(ii), 1171.5(a)(10)(iii), 1171.5(a)(10)(v), and 1171.5(a)(11), as contained in the Examination Report, are punishable by the following under 40 P.S. § 1171.9:

- (1) An order to cease and desist.
- (2) License suspension or revocation.

(f) In addition to any penalties imposed by the Commissioner for violations of 40 P.S. §§ 1171.5(a)(10)(ii), 1171.5(a)(10)(iii), 1171.5(a)(10)(v), and 1171.5(a)(11), as contained in the Examination Report, the Commissioner may, under 40 P.S. §§ 1171.10 and 1171.11, file an action in which the Commonwealth Court may impose the following civil penalties:

- (1) An injunction.
- (2) 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) for each violation but not to exceed an aggregate penalty of fifty thousand dollars (\$50,000) in any six-month period.
- (3) 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) for each

violation but not to exceed an aggregate penalty of ten thousand dollars (\$10,000) in any six-month period.

(g) Violations of 31 Pa. Code §§ 146.5(b), 146.6, and 146.7(c)(1), as contained in the Examination Report, are punishable by the following under 40 P.S. §1171.9:

- (1) An order to cease and desist.
- (2) License suspension or revocation.

(h) In addition to any penalties imposed by the Commissioner for violations of 31 Pa. Code §§ 146.5(b), 146.6, and 146.7(c)(1), as contained in the Examination Report, the Commissioner may, under 40 P.S. §§1171.10 and 1171.11, file an action in which the Commonwealth Court may impose the following civil penalties:

- (1) An injunction.
- (2) 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) for each violation but not to exceed an aggregate penalty of fifty thousand dollars (\$50,000) in any six-month period.
- (3) 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) for each violation but not to exceed an aggregate penalty of ten thousand dollars (\$10,000) in any six-month period.

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, which incorporate the findings and conclusions contained in the Examination Report, and Conclusions of Law, insofar as the activities violate the laws of the Commonwealth of Pennsylvania.
- (b) Respondent shall share the Examination Report and this Order with each of its directors and submit affidavits executed by each of its directors, stating under oath that they have received a copy of the Examination Report and this Order. Such affidavits shall be submitted within 30 days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the Examination Report.
- (d) Respondent shall pay two-hundred fifty thousand dollars (\$250,000) to the Commonwealth of Pennsylvania in settlement of the violations contained in the Examination Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Edwina Buntain, Bureau of Administration, 393 Walnut Street, 13th Floor, Harrisburg, PA 17128. Payment must be made no later than 30 days after the date of this Order.

(f) To determine Respondent's compliance with the full and timely implementation of all recommendations ("Recommendations") in the Examination Report, the Department may conduct a re-examination of Respondent, beginning no earlier than twenty-four (24) months from the date of this Order. The experience period for the re-examination will commence no earlier than twelve (12) months from 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, the Insurance Department 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 Insurance 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 that Respondent has not remedied after being afforded a reasonable opportunity to do so, the Insurance 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, including those contained in the Examination Report incorporated 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.

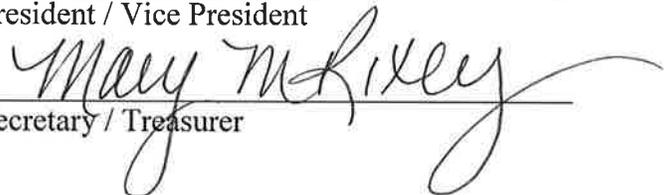
10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

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: Unified Life Insurance Company,
Respondent



President / Vice President



Secretary / Treasurer

David J. Buono, Jr.

COMMONWEALTH OF
PENNSYLVANIA
David J. Buono, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Unified Life Insurance Company, hereafter referred to as “Company.” The Company’s corporate headquarters is located in Overland Park, Kansas. The examination was conducted in the offices of the Pennsylvania Insurance Department and off-site locations from January, 2018, through September, 2021.

Pennsylvania Market Conduct Examination Reports generally note the items that have been reviewed and whether or not a violation of law or regulation exists. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Examination Report may result in imposition of penalties. This Examination Report also includes 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. Findings from summaries issued to the Company throughout the examination process are included in this Examination Report.

The Department notes that the experience period (July 1, 2016 through September 30, 2017) and initial review of response documents occurred prior to the publication of the Department’s updated guidance regarding the filing requirements related to out-of-state associations and short-term limited duration insurance.¹

It is also noted that certain areas subject to examination are and will continue to be the focus of ongoing compliance emphasis by the Department, such as, for example, concerns with marketing practices with respect to short-term limited duration and limited benefit health plans. The Department appreciates and anticipates the continued cooperation of the Company in providing coverage consistent with the laws and regulations governing these areas. It should be noted that the Company ceased the sale of short-term limited duration health insurance in Pennsylvania effective December 31, 2016.

¹ See Department Notice 2018-08 (48 Pa. B. 7284) (published November 17, 2018); see also Department Notice 2018-10 (48 Pa. B. 7282) (published November 17, 2018).

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citations to each section of law violated.

Additional information was requested to clarify apparent violations. A conference was conducted with Company officials to discuss outstanding issues.

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 Examination Report:

Katie Dzurec, JD, MPA, MCM
Acting Director, Health Market Conduct
Bureau Pennsylvania Insurance Department

LaChelle Simmons, JD, MCM
Exam Supervisor

Joan McClain, CIE, MCM, FLMI, AIRC
Co-Examiner-in-Charge

Yvonne Clearwater, MCM
Contract Examiner

Joseph Barrett, MCM, APIR
Co-Examiner-in-Charge
Pennsylvania Insurance Department

Penny Callihan, MCM
Chief, Health Market Conduct
Pennsylvania Insurance Department

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, 2016 through September 30, 2017, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations, as well as federal laws and regulations not superseded by state law.

The examination focused on the Company's policies and procedures in the following areas: Claims, Consumer Complaints, Producers, Forms, Marketing/Sales and Advertising,

Examiners requested that the Company identify the universe of files for each segment of the review. With respect to the claims reviewed, the review began with identifying policies that were subject to a pre-existing condition or rescission review during the experience period. All claims denied due to a pre-existing condition for the policies identified were requested and reviewed. Examiners also reviewed claims that were the subject of two complaints filed during the experience period. For all other segments, the entire population of files were reviewed.

III. COMPANY HISTORY AND LICENSING

Unified Life Insurance Company (“Unified”) was organized May 11, 2001, and began operations on May 15, 2001. Unified is domiciled in the state of Texas.

In 2005, Unified purchased and merged with Cameron Life Insurance Company. Effective October 1, 2006, the company acquired control of National Financial Insurance Company (“NFIC”) and its wholly owned subsidiary, American Insurance Company of Texas (“AICT”), through a purchase of 100% of the outstanding stock of NFIC. NFIC and AICT merged in to Unified on October 1, 2007.

On January 2, 2007, Unified purchased and merged with the Mid-Atlantic Insurance Company. Unified purchased and merged with the Stanford Life Insurance Company on April 2, 2007. Additionally, the Concord Heritage Insurance Company, Inc. was purchased and merged into Unified on January 2, 2009.

In addition to Pennsylvania, Unified is licensed in the District of Columbia and all states, with the exception of the state of New York. In Pennsylvania, Unified marketed a short-term limited duration health product and a limited medical benefit product to group associations.

In 2016, based on the annual statements submitted for business in the state of Pennsylvania, Unified had health premiums written in the amount of \$4,426,723, under short-term limited duration health and limited medical benefit products marketed to group associations. In 2017, for business in the state of Pennsylvania, Unified had health premiums written in the amount of \$3,708,982, under short-term limited duration health and limited medical benefit products marketed to group associations. Since Unified ceased writing new short-term limited duration business in Pennsylvania at the end of 2016, only run-off business was present for that line in 2017.

IV. CLAIMS

Examiners requested documentation relating to the processing and handling of claims. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with 40 P.S. §§ 323 and 1171.5, and 31 Pa. Code Ch. 146 and 154.

A. Claims Manual

Examiners requested documentation relating to the processing of claims, including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company identified a universe of two documents. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations using the guidelines set forth in Chapter 20, Section G, Standards 1 through 6 of the NAIC Market Regulation Handbook. No violations were noted.

B. Claims Handling Guidelines

Examiners requested a detailed description of how claims were handled during the experience period from the date received through closure. In accordance with the requirements of the examination, the response was reviewed to ensure compliance with applicable state laws and regulations using guidelines set forth in Chapter 20, Section G, Standards 1 through 4 of the *NAIC Market Regulation Handbook*. Violations regarding the Company's processing and handling of claims are noted in other sections of this Examination Report.

C. Claims

Examiners requested a list of all policies subject to pre-existing condition or rescission review during the experience period to determine if such claims were acknowledged, investigated, and resolved timely. This subset of claims was reviewed in an effort to determine whether claims were being subject to unnecessary reviews for pre-existing conditions and whether these reviews caused unnecessary delays in the processing of claims. The Company identified a universe of 767 claims subject to a pre-existing condition review; 56 of those claims were identified as being denied due

to a pre-existing condition. The Company indicated that no policies were rescinded during the experience period. Examiners reviewed the 56 claims to ensure compliance with state laws and regulations, including 40 P.S. §§ 323 and 1171.5, and 31 Pa. Code Ch. 146 and 154. The following violations were noted:

49 Violations – 40 P.S. § 1171.5(a)(10)(ii)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means the following act 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. The Company failed to acknowledge and act promptly upon receipt of the claims in the 49 noted files.

49 Violations – 40 P.S. § 1171.5(a)(10)(iii)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means 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 adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies. The Company failed to promptly investigate claims in the 49 noted files.

49 Violations – 40 P.S. § 1171.5(a)(10)(v)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means 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 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 Company failed to affirm or deny coverage of claims within a reasonable time after receipt of claim in the 49 noted files.

94 Violations – 31 Pa. Code §§ 146.6 and 146.7(c)(1)

Every insurer shall complete investigation of a claim within 30 days after notification of 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:

1. Provide notice within 15 working days after receipt of claim stating the reasons that more time is needed;
2. Provide timely 30-day status letters;
3. Provide timely 45-day status letters; and/or
4. State in its claim status reports (CSRs) (provided to enrollees for some claims to satisfy the requirement to provide status letters) when a decision on the claim may be expected.

D. Claims Forms

Examiners requested documentation demonstrating that the Company's claims forms were appropriate for the type of product for which they were used during the experience period. The Company identified a single document. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations using the guidelines set forth in Chapter 16, Section G, Standard 7 of the *NAIC Market Regulation Handbook*. No violations were noted.

E. Denied and Closed-without-Payment Claims

Examiners requested documentation demonstrating how claims denied and closed-without-payment due to pre-existing condition limitations were handled during the experience period. The claims were reviewed to determine if the claims were adjudicated in accordance with policy provisions and state and federal laws and regulations. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state and federal laws and regulations using the guidelines set forth in Chapter 20, Section G, Standard 9 of the *NAIC Market Regulation Handbook*. No violations were noted.

V. CONSUMER COMPLAINTS

Examiners requested documentation relating to consumer complaints. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with 40 P.S. § 1171.5 and 31 Pa. Code Ch. 146.

A. Complaint Log

Examiners requested all consumer complaints and copies of consumer complaint logs for the experience period. The Company identified one document, the complaint log. In accordance with the requirements of the examination, the document was reviewed to ensure compliance with applicable state laws and regulations using the guidelines set forth in Chapter 20, Section B, Standard 1 of the *NAIC Market Regulation Handbook*. The following violations were noted:

10 Violations – 40 P.S. §1171.5(a)(11)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means: Failure of any person to maintain a complete record of all the complaints which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this paragraph, “complaint” means any written communication primarily expressing a grievance. The Company failed to include in the Complaint Log the disposition for the 10 complaints noted.

B. Complaint Handling Procedures

Examiners requested documentation demonstrating that the Company had adequate complaint handling procedures in place and communicated such procedures to policyholders. The Company identified a single document. In accordance with the requirements of the examination, the document was reviewed to ensure compliance with applicable state laws and regulations, using the guidelines set forth in Chapter 20, Section B, Standard 2 of the *NAIC Market Regulation*

Handbook. No violations were noted.

C. Complaints

Examiners requested a listing of all consumer complaints received during the experience period. The Company identified a universe of 10 consumer complaints received during the experience period. Of the 10 complaints identified, eight were forwarded from the Department. A total of 10 complaints were reviewed. The Company also provided a complaint log listing all complaints received during the experience period as requested. The complaint files were reviewed for compliance with applicable state laws and regulations, including 40 P.S. § 1171.5 and 31 Pa. Code § 146.5, using the guidelines set forth in Chapter 20, Section B, Standards 3 and 4 of the *NAIC Market Regulation Handbook*. The following violations were noted:

1 Violation - 31 Pa. Code §146.5(b)

Every insurer, upon receipt of an inquiry from the Department respecting a claim shall, within 15 working days of receipt of the inquiry, furnish the Department with an adequate response to the inquiry. The Company failed to provide a timely response to the Department for the instance noted.

70 Violations – 40 P.S. § 1171.5(a)(10)(v)

“Unfair methods of competition” and “unfair or deceptive acts or practices” in the business of insurance means 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 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. Two members presented a total of 70 claims; the Company failed to affirm or deny coverage of those 70 claims within a reasonable time after receipt of each of the 70 claims.

VI. PRODUCER APPOINTMENTS AND INTERNAL CONTROLS

Examiners requested documentation relating to producer appointments and internal controls. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with 40 P.S. §§ 310.1 et seq. and 31 Pa. Code § 37.61.

A. Appointed and Terminated Producers

Examiners requested a list of all producers appointed and terminated during the experience period. The Company identified a universe of 1,026 producers appointed and 317 terminated during the experience period. The information submitted included license numbers, resident or non-resident status, appointment date, and termination date (if applicable). The listings were compared to Department records of producers to verify appointments, terminations, and licensing. In accordance with the requirements of the examination, the records were reviewed to ensure compliance with applicable state laws and regulations, including 40 P.S. § 310.71(f) and 31 Pa. Code § 37.61, using the guidelines set forth in Chapter 20, Section D, Standard 1 of the *NAIC Market Regulation Handbook*. No violations were noted.

B. Licensing and Appointment Verification

Examiners requested a description of how the Company verified that the producers were duly licensed and the process for appointing producers to represent the Company during the experience period. The Company identified a universe of seven documents. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations using standards set forth in Chapter 20, Section D, Standard 2 of the *NAIC Market Regulation Handbook*. No violations were noted.

C. Termination for Cause

Examiners requested a list of all producers terminated for cause during the experience period.

The Company indicated that no producer was terminated for cause during the experience period. In accordance with the requirements of the examination, the record was reviewed to ensure compliance with applicable state laws and regulations, including 40 P.S. § 310.71a(b) and 31 Pa. Code § 37.61, using the guidelines set forth in Chapter 20, Section D, Standard 3 of the *NAIC Market Regulation Handbook*. No violations were noted.

D. Producer Contracts and Internal Controls

Examiners requested copies of all internal policies and procedures regarding the appointment, termination, training and oversight of producers and sample copies of the producer contracts in place during the experience period. The Company identified a universe of 12 documents. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations using guidelines set forth in Chapter 20, Section D, Standards 4 and 5 of the *NAIC Market Regulation Handbook*. The following violations were noted:

1 Violation - 40 P.S. § 324.11

Where services of an administrator are utilized, the administrator shall provide a written notice approved by the entity providing the benefit plan to persons covered by the benefit plan advising them of the identity of and relationship among the administrator, the entity providing the benefit plan and the insurer, if any. Where an administrator collects funds, it must identify and state separately in writing to the person paying any charge or premium to the administrator for coverage the amount of any such charge or premium specified by the benefit plan for the coverage. The Company failed to provide a notice to any of its enrollees of its Short-Term Limited Duration insurance product, advising the enrollees of the identity and relationship between the third-party claims administrator and the Company.

5 Violations - 40 P.S. § 472 and 40 P.S. § 310.47

40 P.S. § 310.47

No insurance producer shall, directly or indirectly issue, circulate or use, or cause or permit to be issued, circulated or used, a written or oral statement or circular misrepresenting the terms of a contract of insurance issued or to be issued by the insurer.

40 P.S. § 472

No insurance company, association, or exchange, or any member, officer, director, or attorney-in-fact thereof, or any other person in its behalf, shall issue, circulate, or use, or cause or permit to be issued, circulated, or used, any written or oral statement or circular misrepresenting the terms of any policy issued or to be issued by such company, association, or exchange, or make an estimate, with intent to deceive, of the future dividends payable under any such policy.

The Company failed to exercise oversight and training of producers appointed by the Company, resulting in the misrepresentation of the terms and benefits of the Company's short-term limited duration and limited benefit medical products by the Company's Managing General Underwriting Agent and its four contracted underwriting entities to prospective enrollees.

VII. MARKETING AND SALES

Examiners requested documentation relating to marketing and sales. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with 40 P.S. § 1171.5 and 31 Pa. Code §§ 51.4 and 51.5.

A. Advertising and Sales Materials

Examiners requested copies of all marketing and sales materials the Company used in connection with the sale of short-term limited duration and limited-benefit health plans during the experience period. The Company identified a universe of eight pieces of marketing and sales material. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations using the guidelines set forth in Chapter 20, Section C, Standard 1 of the *NAIC Market Regulation Handbook*. The following violations were noted:

2 Violations – 31 Pa. Code § 51.22

An advertisement may not be used which, because of phrases, statements, references or illustrations therein or information omitted therefrom, has the capacity, tendency, or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any contract benefit payable, loss covered, or premium payable. The Company used statements in or omitted information from two advertisements that have the capacity, tendency or effect of misleading purchasers as to the nature or extent of the contract benefits covered under the short-term limited duration medical plans.

2 Violations – 31 Pa. Code § 51.23

An advertisement may not be used which contains words or phrases, the meaning or understanding of which may not be reasonably comprehended by the segment of the general public to which it is directed. The Company used statements in two advertisements that, without additional

information or definition, may not be reasonably comprehended by the consumer.

1 Violation - 31 Pa. Code § 51.3

Every company shall maintain complete control over the content, form and method of dissemination of advertisements of its contracts. The advertisements, regardless of by whom written, created or designed, shall be the responsibility of the company whose contracts are being advertised.

Advertisements prepared by persons other than the company for which the advertisement is intended to be used shall, prior to its use, be approved in writing by an officer of the company or another person the company may designate for this purpose. The Company failed to maintain complete control over the content, form and method of dissemination of all its advertisements of its contracts.

B. Producer Training

Examiners requested copies of all training manuals and other training materials used by the Company for the training of its producers. The Company identified a universe of five documents. In accordance with the requirements of the examination, the sample training documents were reviewed to ensure compliance with applicable state laws and regulations, using guidelines set forth in Chapter 20, Section C, Standard 2 and 3 of the *NAIC Market Regulation Handbook*. No violations were noted.

VIII. FORMS

Examiners requested documentation relating to applications, policies, and certificates for short-term limited duration and limited-benefit health plans marketed and sold by the Company during the experience period. Unless noted, all documents identified in the universe by the Company were requested, received, and reviewed by the examiners. In the event the initial documents provided by the Company did not provide enough information, examiners issued information requests, which resulted in additional documents that were included in the review. Documents provided pursuant to examiner requests under this section were reviewed to ensure compliance with applicable state laws and regulations, including 18 P.C.S. § 4117(k), 40 P.S. §§ 753(A) and 756.2.

A. Disclosures

Examiners requested a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments, and endorsements used during the experience period to determine if all required disclosures were included in the form (if applicable). The Company identified a universe of six documents. In accordance with the requirements of the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations, including 45 C.F.R. §§ 144.103 and 148.220, using guidelines set forth in Chapter 20, Section F, Standard 2 of the *NAIC Market Regulation Handbook*. No violations were noted.

B. Commission Schedules

Examiners requested copies of all commission schedules and rate tables in effect during the experience period to check for inappropriate variances or illegal inducements. The Company identified a universe of a single document. In accordance with the requirements of the examination, the document was reviewed to ensure compliance with applicable state laws and regulations using guidelines set forth in Chapter 20, Section F, Standard 3 of the *NAIC Market Regulation Handbook*. No violations were noted.

C. Applications, Certificates and Policies

Examiners requested a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period.

The Company identified a universe of five documents. In accordance with the requirements of

the examination, the documents were reviewed to ensure compliance with applicable state laws and regulations, including 18 P.C.S. § 4117(k) and 40 P.S. §§ 753(A), and 756.2. No violations were noted.

IX. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with National Association of Insurance Commissioners uniformity standards. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements, and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure accuracy and completeness, and to determine compliance with the Insurance Department Act of 1921, Section 904 (40 P.S. §323.4). The following data integrity issue was noted in the Claim section of the examination:

Issue: Examiners requested copies of all information regarding an identified sample of policies terminated or cancelled during the examination period, including copies of the policy/certificate issued to the insured. The Company indicated that this information was maintained by the group association through a third-party administrator which was dissolved due to insolvency. The Company was unable to locate or gain access to copies of the certificates issued to six insureds who were enrolled under the short-term limited duration insurance product.

Finding: The Company failed to gain access to or provide copies of certificates issued to six association members.

The following violation was noted:

1 Violation – 40 P.S. § 323.3(a) and 323.4(b)

Every company or person subject to examination must keep all books, records, accounts, papers, documents, and any and all computer or other recording relating to the property, assets, business, and affairs such that examiners may ascertain whether the company or person has complied with the laws being examined. The company or person from whom information is sought must provide examiners timely, convenient, and free access to all such documentation. The Company failed to exercise sufficient due diligence to ensure compliance with the noted sections of the Insurance Department Act of 1921.

X. RECOMMENDATIONS

The recommendations 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 Examination Report. It should be noted that many of the violations found during the examinations were related to the Company's short-term limited duration insurance product, which the Company ceased writing in Pennsylvania effective December 31, 2016. Accordingly, corrective measures for certain violations may not be included as the product is no longer available in Pennsylvania.

1. The Company must implement procedures to ensure compliance with the requirements of 40 P.S. § 472 and 40 P.S. § 310.47. The Company must implement internal controls and procedures to monitor appointed producers to prevent the issue, circulation, or use of any written or oral statement or circular misrepresenting the terms of any policy issued or to be issued by such company.
2. The Company must implement procedures to ensure compliance with the requirements of 31 Pa. Code § 51.3. The Company must implement internal controls and procedures to maintain complete control over the content, form, and method of dissemination of advertisements of its contracts by third party administrators and its appointed producers.
3. The Company must implement procedures to ensure consistency and compliance with the requirements of 40 P.S. §§ 1171.5(a)(10)(ii), (a)(10)(iii), and (a)(10)(v); and 31 Pa. Code §§ 146.6 and 146.7. The Company must adopt reasonable standards for the prompt investigation of claims arising under its insurance policies, as well as timely notice of coverage determination.
4. The Company must ensure policy forms, including applications, policies, certificates, amendments, and riders, are compliant with state laws and regulations with respect to applicable notices, disclosures, and required policy provisions.

XI. COMPANY RESPONSE