

OHIO DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION OF

UNITED INSURANCE COMPANY OF AMERICA

NAIC #69930

As Of

June 30, 2011





Honorable Mary Taylor
Lt. Governor/Director
Ohio Department of Insurance
50 W. Town St. Ste. 300
Columbus, OH 43215

Lt. Governor/Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a target market conduct examination was conducted on the Ohio business of:

United Insurance Company of America
NAIC Company Code 69930

The examination was conducted at the Company's home office located at:
12115 Lackland Rd. St. Louis, MO 63146

and at the offices of the Ohio Department of Insurance located at:
50 W. Town St. Ste. 300
Columbus, OH 43215

Respectively submitted,

January 25, 2012

Lynette Baker
Chief, Market Conduct Division

Date

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SCOPE OF EXAMINATION

The examination of United Insurance Company of America covered the period from January 1, 2009 through June 30, 2011. The examiners conducted file reviews and interviews of company personnel.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and Ohio’s applicable statutes and regulations. The examination included the following areas of the Company’s operations:

- Paid Claims
- Denied Claims
- Resisted Claims

This report is a report by tests.

METHODOLOGY

The examination was conducted through reviews of the claim files for the Company’s life insurance products. The examiners also reviewed corresponding procedure manuals and marketing materials, interviewed Company department heads, and made requests for additional information.

Only the files for Ohio policyholders and beneficiaries were reviewed. Tests designed to measure the Company’s level of compliance with Ohio’s statutes and regulations, were applied to the files. All tests are described and the results displayed in this report.

All tests are expressed as a “yes/no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of:

7% error ratio on claim tests (93% compliance rate) and

10% error ratio on all other tests (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test. Except as otherwise noted, all tests were conducted on a random sample, taken from a given population of new business or claims records. For the resisted claims the entire population was reviewed.

In an instance where errors were noted, the Examiners described the apparent error and asked the Company for a written response. The Company responded that it:

- concurred with the examiner’s findings and/or
- had additional information for the examiners to consider and/or

- proposed remedial action(s) to correct the apparent deficiency.

The Company's responses and the examiner's recommendations, as applicable, are included in this report.

COMPANY OPERATIONS

United Insurance Company of America is a subsidiary of the Unitrin family of Companies. The Companies have a combined 6 million policyholders, \$8 billion in assets and 7000+ employees. The Companies market their business through over 2600 Company employed agents and 275 independent agents.

As of February 2011 the Company officers were:

Edward James Konar	President
Thomas David Myers	Treasurer
John Robert Camillo	Secretary
James Joseph Collins	Senior Vice President
Richard John Miller	Senior Vice President
Deborah Lynn Quaglia	Senior Vice President

PAID CLAIMS

Timely Initial Contact

Standard: The initial contact by the Company with the claimant is within the required time frame.

Test: Upon receiving notification of the claim, did the Company acknowledge the claim and provide all items, statements, and forms within the time frames required by OAC 3901-1-07 (C) (2) and (5)?

Test Methodology:

- The definition of "initial contact" included telephone notice of the claim to the Company, or its agent, from the insured, third party claimant, and/or legal representative.
- The examiners included in the definition of "notice" of claim, the date the Company, through its investigation, had enough information to identify and contact a claimant.
- The examiners considered that any initial contact to a first notice of loss where more than fifteen (15) days elapsed to be an exception.
- The examiners considered any instance where initial contact to a first notice of loss was not documented to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3099	50	50	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Timely Investigation

Standard: Investigations are conducted in a timely manner.

Test: Did the Company begin investigating the claim within the time frame required by OAC 3901-1-07 (C) (4)?

Test Methodology:

- The examiners considered investigations not begun within twenty-one (21) days of receipt of a claim to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3099	50	50	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Claim Settlement – Interest

Standard: Claims are handled in accordance with policy provisions and state law.

Test: Were the claims correctly paid with interest where required by policy provisions and R.C. 3915.052?

Test Methodology:

- The examiners considered instances where interest due went unpaid to be exceptions.
- The examiners considered instances where interest was not paid at the correct rate to be exceptions.
- The examiners considered instances where interest was not paid for the period between the date of the insured's death and the claim payment date to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3099	50	48	2	93%	96%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Examiner's Comments:

Of the two interest errors, one was due to underpayment of interest and the other due to failure to pay applicable interest.

Examiner’s Recommendations:

The Company should ensure its claims systems are applying interest to all applicable paid claims.

Timely Settlement

Standard: Claims are settled in a timely manner.

Test: Was the claim settled within the time frame required by R.C. 3915.05 (K)?

Test Methodology:

- The examiners considered instances where settlement was not issued upon receipt of due proof of death of the insured, or not later than two (2) months after receipt of such proof, to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3099	50	50	0	93%	100%

The standard of compliance is 93%. The Company’s handling practices were above this standard.

DENIED CLAIMS

Timely Initial Contact

Standard: The initial contact by the Company with the claimant is within the required time frame.

Test: Upon receiving notification of the claim, did the Company acknowledge the claim and provide all items, statements, and forms within the time frames required by OAC 3901-1-07 (C) (2) and (5)?

Test Methodology:

- The definition of “initial contact” included telephone notice of the claim to the Company, or its agent, from the insured, third party claimant, and/or legal representative.
- The examiners included in the definition of “notice” of claim, the date the Company, through its investigation, had enough information to identify and contact a claimant.
- The examiners considered that any initial contact to a first notice of loss where more than fifteen (15) days elapsed to be an exception.
- The examiners considered any instance where initial contact to a first notice of loss was not documented to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3418	50	50	0	93%	100%

The standard of compliance is 93%. The Company’s handling practices were above this standard.

Timely Investigation

Standard: Investigations are conducted in a timely manner.

Test: Did the Company begin investigating the claim within the time frame required by OAC 3901-1-07 (C) (4)?

Test Methodology:

- The examiners considered investigations not begun within twenty-one (21) days of receipt of a claim to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3418	50	50	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Proper Denial

Standard: Claims are properly handled in accordance with policy provisions and applicable state statutes, rules, and regulations.

Test: Did the Company deny a claim on the grounds of a specific policy provision, condition, or exclusion, and if so, did the denial letter refer to such provision, condition, or exclusion as required by OAC 3901-1-07 (C) (1) (b)?

Test Methodology:

- The examiners considered claim denials that did not include a specific policy provision, condition, or exclusion (reason) in the denial letter to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3418	50	50	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Timely Denial

Standard: Claimants are notified of the acceptance or rejection of a claim in a timely manner.

Test: Did the Company notify claimants of the acceptance or rejection of the claim, within twenty-one days after receipt by the insurer, of a properly executed proof of loss as required by OAC 3901-1-07 (C) (12)?

Test Methodology:

- The examiners considered claim files without appropriate adjuster notations that indicated verbal communication to the insured, of acceptance or rejection of a claim to be exceptions.
- The examiners considered claim files without written correspondence, or the ability to verify settlement payment status, indicating acceptance or rejection of a claim to be exceptions.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3418	50	50	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

RESISTED CLAIMS

Timely Investigation

Standard: Investigations are conducted in a timely manner.

Test: Did the Company begin investigating the claim within the time frame required by OAC 3901-1-07 (C) (4)?

Test Methodology:

- The examiners considered investigations not begun within twenty-one (21) days of receipt of a claim to be exceptions.

Findings:

Population	Yes	No	Standard	Compliance
2	2	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Citation of Provision, Condition, or Exclusion

Standard: Claims are properly handled in accordance with policy provisions and applicable state statutes, rules, and regulations.

Test: Is the Company resisting the claim on the grounds of a specific policy provision, condition, or exclusion as required by OAC 3901-1-07 (C) (1) (b)?

Test Methodology:

- The examiners considered resisted claims that did not reference a specific policy provision, condition, or exclusion (reason) in the file to be exceptions.

Findings:

Population	Yes	No	Standard	Compliance
2	2	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

Continuing Investigation

Standard: Claimants are notified that the Company requires more time to complete its investigation of the claim.

Test: Did the Company notify the claimant, within twenty-one (21) days after receipt of proof of loss, that it requires more time to determine whether the claim should be accepted or rejected as required by OAC 3901-1-07 (C) (12) (a) and every ninety (90) days, thereafter, by letter, as required by OAC 3901-1-07 (C) (12) (b)?

Test Methodology:

- The examiners considered claim files without notice of continuing investigation letters from the Company to the claimant dated within twenty-one (21) days of receipt of the proof of loss to be exceptions.
- The examiners considered claim files without notice of continuing investigation letters from the Company to the claimant, stating the need for further time to investigate the claim, if such claim remains unsettled ninety (90) days from the date of the initial letter setting forth the need for further time to investigate.

Findings:

Population	Yes	No	Standard	Compliance
2	2	0	93%	100%

The standard of compliance is 93%. The Company's handling practices were above this standard.

ADVERTISING, SALES, & MARKETING MATERIALS

Standard: All advertising and sales materials are in compliance with applicable statutes and rules.

Test: Do advertising and sales materials comply with R.C. 3901.21 (B) which prohibits any statements that are untrue, deceptive or misleading?

Findings:

The examiners reviewed all of the Company's current advertising, sales, and marketing materials and found them to be in compliance with R.C. 3901.21(B). These materials included brochures, documents and illustrations. No instances of untrue, deceptive, of misleading statements or illustrations were found.

POLICYHOLDER SERVICE

Standard: The Company shall adopt and implement reasonable standards for the proper handling of written communications, primarily expressing grievances, received by the Company from insureds and claimants.

Test: Has the Company adopted and implemented reasonable standards for handling written communications, primarily expressing grievances, including procedures to make a complete investigation of a complaint and respond as required by OAC 3901-1-07(C)(15)?

Findings:

The examiners interviewed the Company's Director of Consumer Affairs. When the Company receives a complaint from either a consumer of state insurance department, it is logged into a computerized complaints system and assigned to one of the four complaints specialists. Complaints are accepted through either telephone, e-mail, or written correspondence. Regional Branch Managers can request agent statements for complaints against agents. Multiple complaints against an agent are referred to the Market Conduct committee, which is run by the Chief Compliance Officer. Finally, the Director of Consumer Affairs submits a monthly report to Company senior management listing any trends or patterns that may have been detected. These Company procedures appear to be sufficient to deal with consumer complaints.

ACQUIRED COMPANY SYSTEMS INTEGRATION

The Examiners interviewed the Vice President of Policy Administration concerning Company acquisitions over the past several years. She indicated that the Company utilizes an alpha system that can search by the insured's name or date of birth. If the Company is unable to locate a policy, they send a letter asking for a copy of the policy. If the consumer has no policy, the Company requests a copy of the acquisition letter from the prior company. In these situations the V.P. indicated that there are instances where they are unable to locate a policy.

EXAMINER RECOMMENDATIONS

The Company should work to improve the quality and quantity of its claims adjuster notes. The examiners often found it difficult to determine when or if, certain correspondence had been sent or responded to. It was also sometimes difficult to determine what an entry into the Company's claims notes (Note Pad) meant. It is recommended that adjuster notes be expanded to clarify their meaning. Further, some files often lacked adjuster notes making it difficult to reconstruct the Company's actions during claim handling. Some received correspondence and materials were not date stamped making receipt dates difficult to determine. The Company should strive to include accurate and detailed adjuster notes in every file and ensure that any future auditors can ascertain when a file item was received or sent out by the Company.

EXECUTIVE SUMMARY

PAID CLAIMS		
Areas of Review	Compliance Standard	Compliance Rate
Timely Initial Contact	93%	100%
Timely investigation	93%	100%
Payment of interest	93%	96%
Timely claim settlement	93%	100%

DENIED CLAIMS		
Areas of Review	Compliance Standard	Compliance Rate
Timely Initial Contact	93%	100%
Timely investigation	93%	100%
Citation of denial provision, condition or exclusion	93%	100%
Timely notice of acceptance or rejection	93%	100%

RESISTED CLAIMS		
Areas of Review	Compliance Standard	Compliance Rate
Timely investigation	93%	100%
Resisted due to specific provision, condition, or exclusion	93%	100%
Notice of continuing investigation	93%	100%

This concludes the report of the Market Conduct Examination of United Insurance Company of America. The examiners, Ben Hauck, Don Layson, and Molly Porto would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

Ben Hauck

January 25, 2012

Ben Hauck
Examiner-in-Charge

Date