IN THE MISSOURI DEPARTMENT OF INSURANCE,
FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

In Re: FREEDOM LIFE INSURANCE	)	
COMPANY OF AMERICA	)	
SERFF TRACKING NUMBER	)	**Case No. 140903648C**
USHG-129702176	)	

ORDER DISAPPROVING FORM FILING

Upon review and consideration of the filing of Freedom Life Insurance Company of America, SERFF Tracking Number USHG-129702176, specifically Form SDUP2PY-2014-IP-MO-FLIC, the Director DISAPPROVES said form for the reasons stated below.

FINDINGS OF FACT

1. John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri ("Director" of the "Department").

2. Freedom Life Insurance Company of America ("Freedom Life"), NAIC Number 62324, is a foreign life and health insurance company organized pursuant to the laws of the state of Texas and transacting insurance business in the state of Missouri pursuant to a Certificate of Authority issued by the Director.

3. Pursuant to §376.777,[1] insurance companies licensed to transact business in this state may not deliver or issue for delivery in this state a policy of accident or health insurance unless the form has been approved.

4. The Division of Market Regulation (the "Division") is designated pursuant to section 374.075 to review the forms that are filed by insurance companies.

5. Freedom Life filed a policy form with the Director via the System for Electronic Rate and Form Filing ("SERFF") on August 29, 2014. The SERFF Tracking Number is USHG-129702176 ("Filing").

6. The Filing contains form SDUP2PY-2014-IP-MO-FLIC, identified as an Individual Specified Disease/Illness Insurance Policy ("Policy").

7. Brackets ([...]) within a policy form reviewed by the Division indicate that the language within the brackets may be included or excluded from the policy form, or the brackets may indicate a numeric range.

[1]All statutory citations are to RSMo (Supp. 2013).

8. Potentially, all benefits, coverages, or terms in brackets could be included in an issued policy form.

9. Conversely, all benefits, coverages, or terms in brackets could be excluded from an issued policy form.

10. Freedom Life filed the Policy within SERFF as an Individual Health – Specified Disease – Limited Benefit plan.

11. On pages 51 and 52 of the Policy under the section titled Uniform Provisions and the subsection titled Entire Contract - Changes, the form states:

> The entire contract between **You** and the **Company** consists of this **Policy,** including **Your** application, which is attached hereto, and any amendments, riders, or endorsements attached to this **Policy**. All statements made by **You** will, in the absence of fraud, be deemed representations and not warranties. No statement made by an applicant for insurance will be used to contest the insurance or reduce the **Covered [Medical] [&] [Surgical] Services Benefits** unless contained in a written application, which is signed by the applicant. No agent may:
>
> 1. change, alter or modify this **Policy**, or any amendments, riders, or endorsements attached to this **Policy**;
> 2. waive any provisions of this **Policy**, or any amendments, riders, or endorsements attached to this **Policy**;
> 3. extend the time period for payment of premiums under this **Policy**; or
> 4. waive any of the **Company's** rights or requirements.
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> No change in the this **Policy** will be valid unless it is:
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> 1. noted on or attached to this **Policy**;
> 2. signed by one of **Our** officers; and
> 3. delivered to the **Primary Insured**, as shown on the **Policy Schedule**.

(Emphasis in original.)

12. On page 30 of the Policy under the section titled Renewal Premium and the subsection titled Reinstatement, the form states:

> If the **Renewal Premium** is not paid by **You** before the grace period ends, later acceptance of premium by **Us** without requiring an application for reinstatement will reinstate this **Policy** as of the date of acceptance of the late premium, together with all applicable administration and policy fees, as well as all applicable state and federal taxes. If **We** require an application that will be fully underwritten by **Us**, **You** will be given a conditional receipt for the premium. If the application is approved after underwriting, this **Policy** will be reinstated as of the approval date together with payment by **You** all back or past due premium and all applicable administration and policy fees, as well as all applicable state and federal taxes permitted by applicable state law. Lacking such approval, this **Policy** will be reinstated on the forty-fifth (45th) day after the date of the conditional receipt, unless **We** have previously notified **You**, in writing, of **Our** disapproval of the reinstatement.

(Emphasis in original.)

13. On page 25 of the Policy under the section titled Definitions, "Us" is defined as "Freedom Life Insurance Company of America."

14. On page 49 of the Policy under the section titled Claim Procedures, Investigation and Payment and the subsection titled Time of Payment of Claims, the form states "**We** will make payments due promptly once a decision has been made on a claim and this decision has been processed[.]"

15. On page 52 of the Policy under the section titled Uniform Provisions and the subsection titled Misstatement of Age, the form states:

> If the age of an **Insured** has not been stated correctly, his or her correct age will be used to determine (i) the amount of insurance for which he or she is entitled, (ii) the effective date of termination of insurance, and (iii) any other rights or **Covered [Medical] [&] [Surgical] Services Benefits** under this **Policy**.
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> Premiums will be adjusted if too much or too little was paid due to the misstatement.

(Emphasis in original.)

CONCLUSIONS OF LAW

16. The Director shall approve only those policy forms that are in compliance with Missouri insurance laws, and "which contain such words, phraseology, conditions, and provisions which are specific, certain and unambiguous and reasonably adequate to meet needed requirements for the protection of those insured," pursuant to §376.777.

17. The Director may disapprove a form filed with the Department, and in doing so must state the reasons for the disapproval in writing, pursuant to §376.777.

Freedom Life's Filing Does Not Comply With All Provisions Required in a Policy Under Section 376.777

18. Section 376.777 provides in relevant part:

> 1. ***Required provisions***. Except as provided in subsection 3 of this section ***each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in this subsection in the words in which the same appear in this section***; provided, however, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the director of the department of insurance, financial institutions and professional registration which are in each instance not less favorable in any respect to the insured or the beneficiary....
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> (1) ***A provision*** as follows: "***ENTIRE CONTRACT; CHANGES***:
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> This policy, including the endorsements and the attached papers, if any, constitutes the entire contract of insurance. ***No change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto.*** No agent has authority to change this policy or to waive any of its provisions".
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> (When under the provisions of subdivision (2) of subsection 1 of section 376.775 the effective and termination dates are stated in the premium receipt, the insurer shall insert in the first sentence of the foregoing policy provision immediately following the comma after the word "any", the following words: "and the insurer's official premium receipt when executed").
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> ***
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> (4) ***A provision*** as follows: "***REINSTATEMENT***:
> ***If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the***

insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy; provided, however, that if the insurer or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer, or, lacking such approval, upon the forty-fifth day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of reinstatement and loss due to such sickness as may begin more than ten days after such date. In all other respects the insured and insurer shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than sixty days prior to the date of reinstatement".

(The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age fifty or, (2) in the case of a policy issued after age forty-four, for at least five years from its date of issue.)

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(8) ***A provision*** as follows: "***TIME OF PAYMENT OF CLAIMS***:

Indemnities payable under this policy for any loss other than loss for which this policy provides any periodic payment will be paid immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this policy provides periodic payment will be paid ..... (insert period for payment which must not be less frequently than monthly) and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof".

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2. ***Other provisions.*** Except as provided in subsection 3 of this section, ***no such policy delivered or issued for delivery to any person in this state shall contain provisions respecting the matters set forth below unless such provisions are in the words in which the same appear in this section***; provided, however, that the insurer may, at its option, use in lieu of any such provision a

> corresponding provision of different wording approved by the director of the department of insurance, financial institutions and professional registration which is not less favorable in any respect to the insured or the beneficiary. Any such provision contained in the policy shall be preceded individually by the appropriate caption appearing in this subsection or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the director of the department of insurance, financial institutions and professional registration may approve.
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> ***
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> (2) ***A provision*** as follows: "***MISSTATEMENT OF AGE***: ***If the age of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age***".

(Emphasis added.)

19. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Entire Contract - Changes, the Policy provides that "No change in this **Policy** will be valid unless it is: 1. noted on or attached to this **Policy**; 2. signed by one of **Our** officers; and 3. delivered to the **Primary Insured**[.]" Section 376.777.1(1) requires that "[n]o change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto;" it does not require any changes made to the policy to be delivered to the insured before such change becomes valid. The Policy provision does not use the same words as §376.777.1(1), and the provisions may be less favorable to the insured in that the Policy adds an additional condition for changes to the policy to be valid. As such, the Policy does not comply with the laws of this state as required by §376.777.

20. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Reinstatement, the Policy states that "later acceptance of premium by **Us**" will reinstate the policy. "Us" is defined as "Freedom Life Insurance Company of America." Section 376.777.1(4) requires the insurer to reinstate the policy if the insurer or any authorized agent accepts a renewal premium. The Policy fails to state that the insured's policy will be reinstated if a renewal premium is accepted by any authorized agent, as required by §376.777.1(4). As such, the Policy does not comply with the laws of this state as required by §376.777.

21. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Time of Payment of Claims, Freedom Life states it will promptly pay claims once a decision has been made. Section 376.777.1(8) requires claims be paid immediately upon receipt of due written proof of such loss. Freedom Life's claim payment provision does not provide the notice of

payment required by §376.777.1(8). As such, the Policy does not comply with the laws of this state as required by §376.777.

22. Freedom Life's Policy is not compliant with Missouri insurance laws. Under the subsection titled Misstatement of Age, the Policy is noncompliant with §376.777.2(2). The Policy states:

> If the age of an **Insured** has not been stated correctly, his or her correct age will be used to determine (i) the amount of insurance for which he or she is entitled, (ii) the effective date of termination of insurance, and (iii) any other rights or **Covered [Medical] [&] [Surgical] Services Benefits** under this **Policy**.

Section 376.777.2(2) requires that, if a provision addresses matters set forth in this section, the provision must be in the same words as this section, unless the Director determines the words used are "not less favorable" to the insured. The Policy provision does not use the same words as §376.777.2(2), and the provision is less favorable to the insured in that a misstatement of age under the policy could affect not only the amount of insurance but also the date of termination and other rights and benefits under the policy. As such, the Policy does not comply with the laws of this state as required by §376.777.

23. After review and consideration of the policy form included in Freedom Life's Filing, the company has failed to demonstrate its compliance with Missouri law as enumerated herein.

24. While there may be additional reasons as to why this policy form does not comply with Missouri's insurance laws, the reasons stated herein are sufficient to disapprove the form.

25. Each reason stated herein for disapproval of policy form is a separate and sufficient cause to disapprove such form.

26. Freedom Life's Policy does not comply with Missouri law. As such, said form is not in the public interest.

27. This Order is in the public interest.

IT IS THEREFORE ORDERED that Form SDUP2PY-2014-IP-MO-FLIC is hereby **DISAPPROVED.** Freedom Life Insurance Company of America is hereby prohibited from delivering or issuing for delivery any Policy of group health insurance utilizing said form.

SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS 14th day of October, 2014.

JOHN M. HUFF
DIRECTOR

NOTICE

TO: Freedom Life Insurance Company of America and any unnamed persons aggrieved by this Order:

You may request a hearing on the disapproval of this form. You may do so by filing a pleading with the Director of the Department of Insurance, Financial Institutions and Professional Registration, P.O. Box 690, Jefferson City, MO 65102, within 30 days after the mailing of this notice pursuant to 20 CSR 800-1.030.

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of October, 2014, a copy of the foregoing Order and Notice was

Served via certified mail addressed to:

Benjamin Cutler
President
Freedom Life Insurance Company of America
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Fort Worth, TX 76102

Martha Guevara
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