DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:	)	
	)	
Washington National Insurance Company	)	Examination No. 0507-18-LAH
NAIC Group #233 / Company #70319	)	

ORDER OF THE DIRECTOR

NOW, on this 19th day of November 2012, Director John M. Huff, after consideration and review of the market conduct examination report of Washington National Insurance Company (NAIC Group #233 / Company #70319), (hereafter referred to as "the Company") report numbered 0507-18-LAH, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement ("Stipulation"), does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report is deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15. RSMo (Cum. Supp. 2011), is in the public interest.

IT IS THEREFORE ORDERED that, the Company and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that the Company shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the Company in

full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that the Company shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $150,000.00, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 19th day of NOVEMBER, 2012.

John M. Huff
Director

RECEIVED
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MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

TO: Office of the President
Conseco Services, LLC
11825 N. Pennsylvania St.
Carmel, IN 46032

RE: Missouri Market Conduct Examination 0507-18-LAH
Washington National Insurance Company (NAIC Group #233 / Company #70319)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Washington National Insurance Company, (hereafter referred to as "Washington National") (NAIC #70319), as follows:

WHEREAS, John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Washington National has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Washington National and prepared report number 0507-18-LAH; and

WHEREAS, the report of the Market Conduct Examination has revealed that:

1. In some instances, Washington National failed to notify first party claimants of the acceptance or denial of their claims within 15 working days of the receipt of all necessary

information to establish the nature and extent of the claims, thereby violating §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A).

2. In some instances, Washington National failed to acknowledge the receipt of some of its claims within 10 working days after receiving notification of the claims, in violation of §375.1007(3), RSMo, and 20 CSR 100-1.030(1).

3. In some instances, Washington National failed to issue a confirmation of receipt within one (1) working day after receiving some of its electronically filed claims, thereby violating §376.384.1(4), RSMo.

4. In some instances, Washington National failed to pay some of its electronically-filed claims within 45 days of receipt, and also failed to pay interest beginning on the 46th day after receipt, as required by §376.383.5, RSMo.

5. In some instances, Washington National improperly denied certain claims, in violation of §375.1007(1) and (3), RSMo.

6. In some instances, Washington National improperly processed certain claims, such that the examiners were unable to perform time studies as required by 20 CSR 100-1.030(1), 20 CSR 300-2.100, and 20 CSR 300-2.200(3)(B)1 and 2 (as replaced by 20 CSR 100-8.040, eff. 7/30/08).

7. In some instances, Washington National failed to maintain its books, records, documents and other business records in a manner so that the examiners may, during a market conduct examination, readily ascertain the Company's claims handling and payment practices, thereby violating 20 CSR 300-2.200(2) and (3) (as replaced by 20 CSR 100-8.040(2) and (3), eff. 7/30/08).

8. In some instances, Washington National failed to remit cash surrender benefits to claimants within 15 working days after the submission of all forms necessary to establish the nature and extent of the claims, thereby violating §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A).

9. In some instances, Washington National improperly rejected requests on the policies for a cash surrender, thereby violating §375.1007(4), RSMo.

10. In some instances, Washington National improperly administered some of its life contracts and misrepresented relevant facts, benefits, advantages, terms, conditions, and policy provisions related to coverage in those contracts, in violation of §§375.936(6)(a) and (11)(a), and 375.1007, RSMo, and 20 CSR 100-1.050(1)(H).

11. In some instances, Washington National failed to follow its own procedures relative to the handling of unclaimed property and funds for seven individuals and entities due funds, thereby violating §447.539.5 and 7, RSMo.

12. In some instances, Washington National failed to respond to examiner criticisms and formal requests within the required time frame of 10 calendar days, thereby violating §374.205.2(2), RSMo, and 20 CSR 300-2.200(6) (as replaced by 20 CSR 100-8.040(6), eff. 7/30/08).

WHEREAS, Washington National neither admits nor denies the above findings; however, on areas that require correction, Washington National hereby agrees to take remedial action bringing Washington National into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, the following:

1. Washington National will take corrective action to reasonably assure that the errors noted in the above-referenced market conduct examination report do not recur;

2. Washington National has previously conducted a file-by-file review of all its Missouri life insurance policies with an automatic premium loan (APL), reduced paid up (RPU), or extended term insurance (ETI) benefit option in force at any time since 2001 in order to verify whether the system used to administer the policies accurately reflected the APL, RPU, or ETI benefit option ("Benefit Option") applicable to each policy as reflected in the policy files. Washington National may conduct additional file reviews as it deems necessary. The previously conducted review and any subsequent reviews are hereinafter collectively referred to as "All Policy Reviews." All Policy Reviews shall be completed within 180 days after the date an Order closing this examination is entered by the Director.

3. Upon completion of All Policy Reviews, Washington National will take the following corrective actions:

A. **In-Force Policies that are not in Benefit Option Status**: If the results of All Policy Reviews for this category of policies indicates that the Benefit Option applicable to a policy as reflected in the policy file does not match the Benefit Option recorded in the administrative system, Washington National will correct the administrative system to accurately reflect the Benefit Option applicable to the policy.

B. **In-Force Policies that are in Benefit Option Status**: If the results of All Policy Reviews for this category of policies indicates that the Benefit Option applicable to a policy as reflected in the policy file does not match the Benefit Option recorded and being applied to the policy in the administrative system, Washington

National will take the following actions:

(1) Washington National will send each affected policyowner a letter in a form approved by the Department containing, at a minimum, the following information:

a. Explaining that the letter is being sent "as a result of a market conduct examination conducted by the Missouri Department of Insurance, Financial Institutions and Professional Registration;"

b. Stating the correct Benefit Option applicable to the policy;

c. Indicating the Benefit Option currently recorded and being applied to the policy in the administrative system;

d. Giving the policyowner the opportunity to either continue to have the policy administered in accordance with the Benefit Option recorded and being applied in the administrative system or reinstate the correct Benefit Option applicable to the policy;

e. Explaining the ramifications to the policyowner of both options; and

f. Allowing the policyowner 60 days to respond to the letter and explaining that the policy will continue to be administered in accordance with the Benefit Option recorded and being applied in the administrative system if no response is received in that time.

(2) Washington National will file with the Department the form of letter or letters it proposes to use within 30 days after the date an Order closing this examination is entered by the Director.

(3) Upon receipt of the affected policyowner's response, Washington National will take action to effectuate the election made by the policyowner within 30 days of receipt of the policyowner's response.

C. **Terminated Policies due to Death of the Insured, Surrender, or Maturity**: If the results of All Policy Reviews for this category of policies indicates that the Benefit Option applicable to a policy as reflected in the policy file does not match the Benefit Option recorded and applied to the policy in the administrative system at the time of death, surrender, or maturity, Washington National will take the

following actions:

(1) If the application of the incorrect Benefit Option resulted in the underpayment of a death claim, surrender value, or maturity value by $5.00 or more, Washington National will identify the appropriate payee for the death claim, surrender value, or maturity value from its policy files and employ its best efforts to locate an updated address for the payee.

(2) Utilizing the most recent address, Washington National will send the appropriate payee a check for the underpayment plus interest at the rate of 9% from the date of death, surrender, or maturity, along with a letter indicating that the payment is being made that "as a result of a market conduct examination conducted by the Missouri Department of Insurance, Financial Institutions and Professional Registration."

D. **Terminated Policies due to Lapse or Expiration**: If the results of All Policy Reviews for this category of policies indicates that the Benefit Option applicable to a policy as reflected in the policy file does not match the Benefit Option recorded and applied to the policy in the administrative system at the time of lapse or expiration, Washington National will take the following actions:

(1) If application of the correct Benefit Option would result in the policy still being in effect, Washington National will reinstate the policy by applying the correct Benefit Option, employ its best efforts to locate an updated address for the policyowner, and send the policyowner a letter explaining, at a minimum, the amount of coverage being reinstated, the duration of the reinstated coverage, and that the action is being taken "as a result of a market conduct examination conducted by the Missouri Department of Insurance, Financial Institutions and Professional Registration."

(2) If the application of the correct Benefit Option would not result in the policy still being in effect but would result in an additional amount of $5.00 or more being due the policyowner, Washington National will employ its best efforts to locate an updated address for the policyowner and send the policyowner a check for the underpayment plus interest at the rate of 9% from the date of the lapse or expiration, along with a letter

stating that the refund is being made "as a result of a market conduct examination conducted by the Missouri Department of Insurance, Financial Institutions and Professional Registration."

4. Washington National will provide written verification outlining and demonstrating to the Department that the above actions have been taken within 90 days after the completion of the corrective actions as outlined in paragraph 3.A. through 3.D., above.

5. Washington National will provide to the Department written verification outlining and demonstrating Washington National's compliance with the claims' acknowledgment and acceptance and denial requirements of 20 CSR 100-1.030(1) and 20 CSR 100-1.050(1)(A) within 90 days after the date an Order closing this examination is entered by the Director.

WHEREAS, Washington National, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Washington National hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0507-18-LAH further agrees, voluntarily and knowingly to surrender and forfeit the sum of $150,000.00.

WHEREAS, Washington National hereby agrees to pay an additional forfeiture of up to $600,000.00 in accordance with the following schedule if it is determined in a follow-up examination ("Follow-Up Examination") by the Department that errors were made in All Policy Reviews resulting in policyowners, beneficiaries or other appropriate payees not receiving the relief to which they are entitled under Paragraphs 3.B, 3.C, and 3.D above:

1. If the error ratio exceeds 2% but is less than 4%, Washington National shall pay an additional forfeiture of $200,000.00;

2. If the error ratio is equal to or greater than 4% but less than 6%, Washington National shall pay an additional forfeiture of $400,000.00;

3. If the error ratio is equal to or greater than 6%, Washington National shall pay an additional forfeiture of $600,000.00; and

WHEREAS, Washington National hereby agrees to the Follow-Up Examination by the Department as referenced above, but retains its right to challenge the findings of the Follow-Up Examination in accordance with Missouri law; and

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Washington National to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Washington National does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of $150,000.00, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo; and Washington National consents and agrees to a follow-up examination as set forth in this agreement.

DATED: 11/8/12

Steven M. Stecher, President
Washington National Insurance Company

CONSECO.

CONSECO SERVICES, L.L.C.
11825 N. Pennsylvania Street
Carmel, Indiana 46032

VIA OVERNIGHT MAIL

September 15, 2006

Ms. Carolyn H. Kerr
Senior Counsel
Market Conduct Section
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, MO 65109

RE: Missouri Market Conduct Examination #0507-18-LAH
Washington National Insurance Company (NAIC #70319)

Dear Ms. Kerr:

I respectfully submit to you the formal response of Washington National Insurance Company to the State of Missouri Department of Insurance Market Conduct Examination Report dated July 12, 2006, Report No. 0507-18-LAH (the "Examination Report"). The Company appreciates the additional time that the Department has allowed for its response. The Company would also like to express its gratitude for the professional and courteous approach of the Department's examiners.

The Company respectfully requests the following modifications to the exam report. The sections given in this response refer directly to those sections in the Examination Report, and they are in the same order as found in the report. The Company requests that the exam report be appropriately modified to reflect all of its comments.

COMPANY HISTORY

The last paragraph of the Company History section of Examination Report, page 3, reads as follows:

> Washington National is a closed block of business, with only in-force business. It is not marketing any new products.

The Company respectfully requests that the last paragraph of the Company History section be revised to read as follows:

Washington National was a closed block of business during this exam period, with only in-force business. As of the first quarter of 2006, it began marketing new annuity products.

SECTION II

II. CLAIM PRACTICES

A. Claims Time Studies

Paid Claims

3. Paid Long Term Care Claims

Acknowledgement Time Study

The Examination Report currently states as follows in regard to *Acknowledgement Time Studies* for Paid Long Term Care Claims, page 11.

> WNIC failed to acknowledge receipt of 23 long term care claims within 10 working days after receiving notification of the claims. Reference: 20 CSR 100-1.030 (1)

The Company respectfully disagrees regarding policies: 307249691 and 307569321. The Company received nursing home bills for services that were not yet incurred. The Company does not process these claims until the services are incurred. Supporting documentation is attached as Exhibit A.

Denied Claims

1. Denied Medicare Supplement Claims

Acknowledgement of Electronically Filed Claims

The Examination Report currently states as follows regarding *Acknowledgement of Electronically Filed Claims* for Denied Medicare Supplement Claims, page 16.

WNIC failed to issue within one working day a confirmation of receipt of the following 10 electronically filed Medicare supplement claims. Reference: Section 376.384.1(4), RSMo

Policy Number	Claim Number	Date of Notification	Date of Confirmation	Workinj Davs
307567549	585861	10-14-04	10-19-04	3
307669344	140129	04-21-04	04-26-04	3
307673131	079281	04-16-04	04-21-04	3
307692183	334309	07-13-04	07-20-04	5
307245921	443240	09-28-04	10-06-04	6
307574862	297264	09-13-04	09-25-04	9
307646643	192173	02-18-04	03-02-04	9
307567488	469953	01-02-04	01-16-04	10
307376500	145118	08-27-04	09-16-04	13
307346188	367309	09-16-04	10-07-04	15

The Company respectfully disagrees with the Examination Report. Section 376.384.1(4) requires notification of claims receipt in one day if received electronically from a health care provider. The Company did not receive these medicare supplement claims from health care providers; rather these claims were received directly from Medicare. Therefore, Section 376.384.1(4) does not apply to the above-referenced Medicare supplement claims. Supporting documentation is attached as Exhibit B.

C. General Handling Practices

Denied Claims

2. Denied Long Term Care

The Examination Report currently states as follows in regard to *Denied Long Term Care Claims, (a)*, page 29.

> Four of the files listed below did not contain a copy of the claims that were selected for review. The filed provided for the fifth claim was on a different individual than the one selected for review.
> Reference 20 CSR 300-2.200 (2) & (3) (B)

Policy Number	Claim Number	Date Denied
307264458	666370	04-05-04
307264096	656700	04-02-04
307248530	605221	01-28-04
307248529	039929	04-19-04
30750637	66370	04-05-04

The Company agrees in regard to Policy 307506037, but respectfully disagrees as to the remainder of the policies. These claim numbers were created in our claims system to document that non-claims related information was received, or the numbers were created in error. They do not represent true claims. The Company will close this type of a claim without correspondence or other documentation for any of the following reasons:

- Claim was opened in error.
- Correspondence received for a different policyholder other than the one being serviced.
- Correspondence received is not a claim/bill that we can process.
- A note has been entered onto the claim system notifying other adjusters of an action that has taken place, such as placing on Waiver of Premium (WOP). No correspondence received.
- The policy number that the claim was opened under is not the correct policy to process the claim.

Please see the following specific explanations. Supporting documentation is attached as Exhibit C.

307264458, Claim 666370 - Claim was closed with no letter, this is a Medigap policy which was opened in error.

307264096, Claim 656700 - Claim was closed with no letter, we received a copying fee which the claims department could not process; therefore it was forwarded to another area to handle payment.

307248530, Claim 605221 - Claim was closed with no letter. Adjuster put note on claim system that WOP was being applied and notification being sent to Carmel office. There was no claim to complete. This was just entered as and FYI that policyholder was being placed on WOP.

307248529, Claim 039929 - Claim was closed with no letter, the correspondence we received was for a different policyholder. Claim opened in error.

SECTION IV

V. Nonforfeitures

2. 2004 Reduced Paid Up Insurance Policies

The Examination Report currently states as follows in regard to *2004 Reduced Paid Up Insurance Policies,* (a), page 35.

> (a) The company placed the following 29 policies on Reduced Paid-Up Insurance although the applicants selected the Automatic Premium Loan Option (APL) at the time of application for coverage.

The company disregarded the APL selections made at the time of application, even though there was sufficient cash value to pay one or more premiums plus interest at the premium mode selected by the insured's. By ignoring the APL selection made by the applicants and placing these policies on reduced paid up insurance, the Company misrepresented the terms and conditions of the contract which constitutes an unfair trade practice. Reference: Section 375.936(6)(a), RSMo.

Policy form number SWL-98P was used in the issue of these 29 policies.

Policy Number	Policy Number	Policy Number	Policy. Number
PL9629311	PL9674208	PL9628955	PL9629312
PL9661888	PL9674434	PL9637458	PL9608101
PL9674918	PL9708229	PL9729737	PL9613192
PL9702578	PL9687912	PL9709178	PL9613191
PL9614259	PL9683328	PL9676783	PL9674433
PL9638270	PL9629019	PL9680356	PL9695024
PL9694754	PL9681279	PL9654172	PL9687099
PL9614259			

The Company respectfully requests the following modifications to part (a) of the Examination Report as shown in bold and italics. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

The company ***improperly administered*** the APL selections made at the time of application, even though there was sufficient cash value to pay one or more premiums plus interest at the premium mode selected by the insured's. By ignoring the APL selection made by the applicants and placing these policies on reduced paid up insurance, the Company ***unintentionally misstated*** the terms and conditions of the contract.

The Examination Report currently states as follows in regard to *2004 Reduced Paid Up Insurance Policies,* (b), page 35.

(b) WNIC initiated automatic premium loans on the following policies when the premiums were unpaid at the end of the grace period. The applications for these five policies did not offer the APL option. The policy forms allow automatic premium loans, but only if requested in writing by the policy owner. No such request was included or referenced in the policy files provided to the examiners.

The company misrepresented the benefits, advantages and terms of the policies since they were not administered in accordance with the terms of the contracts. This constitutes an unfair trade practice. Reference: Section 375.936 (6) (a), RSMo

The Company respectfully requests the following modification as shown in bold and italics to section (b). The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

> The company ***unintentionally misstated*** the benefits, advantages and terms of the policies since they were not administered in accordance with the terms of the contracts.

The Examination Report currently states as follows in regard to *2004 Reduced Paid Up Insurance Policies,* (d), page 35.

> The insured wrote "cancel" on the August 16, 2001, premium notice and returned it to the company. WNIC did not contact the insured about her request to cancel the policy. Instead it started using the automatic loan provision to pay premiums even though the policy stated that the automatic option was reduced paid-up insurance.
>
> WNIC continued to pay premiums by APL until November 16, 2004. By that time there was not enough cash value in the policy to pay the quarterly premium. The company then converted the remaining cash value ($34.96) to reduced-paid up
> Insurance.
>
> Every premium paid by APL from August 16, 2001, to November 16, 2004, plus interest charged on the automatic premium loans, should be credited back to the cash value of this policy. The insured should be notified of the change in the reduced paid up insurance amount.
>
> WNIC disregarded the terms of the contract and misrepresented to the insured the terms of the contract and policy provisions.
> Reference: Sections 375.936 (6) and 375.1007 (1), RSMo

The Company respectfully requests the following modification to the last paragraph of *2004 Reduced Paid Up Insurance Policies,* section (d), page 36, as shown in bold and italics. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

> WNIC ***improperly administered the policy and unintentionally misstated*** the terms of the contract and misrepresented to the insured the terms of the contract and policy provisions.

3. Automatic Premium Loans

The Examination Report currently states as follows in regard to *3. Automatic Premium Loan (a),* pages 36 and 37.

> The applications used in the issue of the following 22 policies did not offer the option to select the automatic premium loan (APL) feature at the time of application for coverage and none of the policy files contained a written request from the insured/policyholder to pay premiums by APL, as required by the terms of the contract.

WNIC implemented one or more automatic premium loans to pay premiums due on each of these policies. WNIC improperly administered these contacts and misrepresented relevant facts and policy provisions relating to coverage. Sections 375.936 (6), 375.1005 (1) & (2) and 375.1007 (1), RSMo

The Company respectfully requests the following modifications as shown in bold and italics to *3. Automatic Premium Loan (a)*, section (a), page 37. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

a. The applications used in the issue of the following 22 policies did not offer the option to select the automatic premium loan (APL) feature at the time of application for coverage and none of the policy files contained a written request from the insured/policyholder to pay premiums by APL, as required by the terms of the contract.

   WNIC implemented one or more automatic premium loans to pay premiums due on each of these policies. WNIC improperly administered these contacts and ***unintentionally misstated*** relevant facts and policy provisions relating to coverage.

The Examination Report currently states as follows in regard to *3. Automatic Premium Loan (b)*, page 37.

b. The premiums for the following seven policies were being paid by APL because this was the option selected by the applicants at the time of application for the policies. There was sufficient cash value remaining in each policy to continue paying the premiums by APL, but WNIC disregarded the terms of the contracts and converted each policy to a reduced paid up policy even though it did not receive any written instructions from policy owners requesting this option.

   WNIC improperly administered these contacts and misrepresented relevant facts and policy provisions relating to coverage, which is an unfair trade practice. Reference: Sections 375.936 (6), 375.1005 (1) & (2), and 375.1007 (1), RSMo.

The Company respectfully requests the following modifications as shown in bold and italics to *3. Automatic Premium Loan (b)*, section (a), page 37. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

b. The premiums for the following seven policies were being paid by APL because this was the option selected by the applicants at the time of application for the policies. There was sufficient cash value remaining in each policy to continue paying the premiums by APL, but WNIC disregarded the terms of the contracts and converted each policy to a reduced paid up policy even though it did not receive any written instructions from policy owners requesting this option.

   WNIC improperly administered these contacts and ***unintentionally misstated*** relevant facts and policy provisions relating to coverage, which is an unfair trade practice.

1. 2003 Reduced Paid Up Insurance Policies

The Examination Report currently states as follows in regard to *1. 2003 Reduced Paid Up Insurance Policies* (a), page 38.

> WNIC used automatic premium loans to pay premiums due on the following policies even though automatic premium loans were not requested in writing by the policy owners.
>
> Each of these policies should have been converted to reduced-paid up insurance according to the terms of the contracts.
>
> WNIC misrepresented the terms and conditions of the contracts. Reference: Sections 375.936 (6) and 375.1007 (1), RSMo

The Company respectfully requests the following modifications to the last paragraph of *1. 2003 Reduced Paid Up Insurance Policies* (a), page 38 as shown in bold and italics. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

> WNIC ***unintentionally misstated*** the terms and conditions of the contracts.

The Examination Report currently states as follows in regard to *1. 2003 Reduced Paid Up Insurance Policies* (b), page 39.

b. The company used automatic premium loans to pay premiums due on the following policy for June, July, and August of 2002, and March through November of 2003.

WNIC converted the policy to reduced-paid up insurance in the amount of $28.09 at that time because there was insufficient cash value to pay future premiums. The insured died March 26, 2004, and the company paid the reduced-paid up insurance death benefit. According to the terms of the contract the policy should have been converted to RPU in June of 2002.

Every premium paid by APL and the interest charged to these loans should be credited back to the cash value of this policy. The beneficiary should be paid the correct amount of reduced paid up insurance plus 9% interest from the date of death to the payment date of the correct RPU amount.

WNIC disregarded and misrepresented the terms of the contract. Reference: Sections 375.936 (6), 375.1007 (1), RSMo and 20 CSR 100-1.050

The Company agrees with this finding in that the policy should have been placed on a Reduced Paid Up status. However, it disagrees that the effective date should have been June 3, 2002. The first APL happened on October 3, 2001 and the insured/owner paid it off on December 17, 2001. The second APL occurred on May 3, 2003. The policy should have been placed in RPU status on October 3, 2001. Pursuant to the Department's request, the Company paid the insured /owner $477.47 on October 21, 2005, representing additional death benefits and interest at 9%. Supporting documentation including a copy of the letter and check is attached as Exhibit D.

The Company further requests the following modification to the last paragraph of *1. 2003 Reduced Paid Up Insurance Policies,* section (b), page 39 as shown in bold and italics. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

> WNIC ***improperly administered and uintentionally misstated*** the terms of the contract.

2. <u>2003 Automatic Premium Loans</u>

The Examination Report currently states as follows in regard to *<u>2. 2003 Automatic Premium Loans</u> (a)*, as shown on page 40.

> Criticism #42 stated that the company improperly initiated APLs since the policy forms did not permit such loans when premiums were paid on a monthly mode. The company replied that, since the company changed the policies to quarterly modal premiums, APLs were permitted. In response to criticism #47, which restated Criticism #42, the company conceded that its action to change the premium mode from monthly to quarterly without authorization from the policyholder was not appropriate. As a result, the conditions of the contract were not followed, misrepresenting relevant facts and policy provisions to insured persons. Reference: Sections 375.936(6), RSMo, and 375.1007(1), RSMo.

The Company respectfully requests the following modifications to the last paragraph of *<u>2. 2003 Automatic Premium Loans,</u>* section (a) page 38 as shown in bold and italics. The Company's actions appear to be based upon misunderstandings of contractual obligations of certain policies.

> Criticism #42 stated that the company improperly initiated APLs since the policy forms did not permit such loans when premiums were paid on a monthly mode. The company replied that, since the company changed the policies to quarterly modal premiums, APLs were permitted. In response to criticism #47, which restated Criticism #42, the company conceded that its action to change the premium mode from monthly to quarterly without authorization from the policyholder was not appropriate. As a result, the conditions of the contract were not followed. ***The Company unintentionally misstated*** relevant facts and policy provisions to insured persons.

Thank you for your consideration of the Company's request. We would appreciate the opportunity to meet with you, and/or any other members of the Department to discuss these matters with you in greater detail should you desire. The Company wishes to reserve all of its rights with respect to a hearing on the merits of this examination until any disputed issues are resolved.

Sincerely,

Nancy Sweet
Vice President and Attorney
Compliance and Government Relations
(317) 817-4787
Nancy_Sweet@conseco.com

enclosures

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

MARKET CONDUCT

FINAL EXAMINATION REPORT

OF THE

LIFE, HEALTH AND ACCIDENT INSURANCE BUSINESS

OF

WASHINGTON NATIONAL INSURANCE COMPANY

NAIC NUMBER: 70319

NAIC GROUP CODE: 233

11815 NORTH PENNSYLVANIA STREET
CARMEL, IN 46032

STATE OF DOMICILE: ILLINOIS

November 8, 2012

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FOREWORD

This Market Conduct Examination Report is, in general, a report by exception. However, failure to comment on specific products, procedures or files does not constitute approval thereof by the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). In performing this examination, the DIFP selected a small portion of the Company's operations for review. As such, this report does not reflect a review of all practices and all activities of the Company. The examiners, in writing this report, cited errors made by the Company. The final examination report consists of three parts: the examiners' report, the response of the Company, and administrative actions based on the findings of Director of the DIFP.

Wherever used in this report:

- "CSR" refers to the Code of State Regulations;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri.
- "WNIC" or "Company" refers to Washington National Insurance Company;

SCOPE OF THE EXAMINATION

The authority of the DIFP to perform this examination includes, but is not limited to, Sections 374.110, 374.190, 374.205, 375.445, 375.938 and 375.1009, RSMo. In addition, Section 447.572, RSMo grants authority to the DIFP to determine Company compliance with the Uniform Disposition of Unclaimed Property Act.

The Company examined was Washington National Insurance Company.

The time period covered by this examination is primarily from January 1, 2004, through December 31, 2004, unless otherwise noted.

The purpose of this examination is to determine whether the Company complied with Missouri laws and DIFP regulations. In addition, the examiners reviewed Company operations to determine if they are consistent with the public interest.

While the examiners reported on errors found in individual files, the examination also focused on the general business practices of the Company. The DIFP has adopted the error tolerance guidelines established by the NAIC. Unless otherwise noted, the examiners applied a 10% error tolerance ratio to all operations of the Company, with the exception of claims handling. The error tolerance ratio applied to claims matters was seven percent. Any operation with an error ratio in excess of these criteria indicates a general business practice. Refer to Section III for prompt pay requirements in claims handling.

The examination included, but was not limited to, a review of the following claim lines: such as, Medicare supplement, health benefit, life, long term care, specified disease and claims titled "Other." The examination included, unless otherwise noted, a review of the following areas of the Company's operations: Complaints/Grievances, Unclaimed Property and Non-forfeiture practices.

This market conduct examination was performed at the administrative office of the Company:

11815 North Pennsylvania Street
Carmel, IN 46032

COMPANY HISTORY

Washington National Insurance Company (WNIC) was originally incorporated on May 26, 1923, as Washington Fidelity National Insurance Company and commenced business September 7, 1923. The present title was adopted in 1931.

Wabash Life Insurance Company was merged into WNIC June 30, 2001. Conseco Medical Insurance Company and Pioneer Life Insurance Company were merged into WNIC July 1, 2003.

Washington National Insurance Company is a stock life insurance company, and a member of the Conseco Insurance Group.

WNIC discontinued the writing of new major medical policies and non-renewed substantially all existing major medical policies in order to improve its operations in 2001.

In 2002, the Company focused its health business on supplemental health products, which resulted in the Company non-renewing substantially all existing group disability policies in 2003. WNIC ceased selling life products in or prior to 1994.

Washington National was a closed block of business during the exam period, with only in-force business. As of the first quarter of 2006, it began marketing new annuity products.

EXECUTIVE SUMMARY

The main issues of concern found by the examiners are as follows:

- During the calendar year 2004 reduced paid up (RPU) insurance review, the examiners found that the company placed 29 life policies on RPU insurance even though the applicants selected the automatic premium loan option at the time of application for coverage. In addition, the applications for five life insurance policies did not allow selection of the automatic premium loan (APL) option at the time of application for coverage. The automatic non-forfeiture option for these five policies was reduced paid up insurance. WNIC also changed the mode of payment on 16 policies without the policy owner's consent or knowledge, and started using the automatic loan provision to pay the premium on one policy even though the policy called for RPU as the automatic option. WNIC ignored the terms of these contracts and initiated APLs to continue the policies in force when premiums were unpaid at the end of the grace period.

- Seven errors were found in the calendar year 2003 RPU review. WNIC used APLs to pay premiums on six policies even though APL was not requested in writing by the policy owners. These six policies should have been converted to RPU because that was the automatic non-forfeiture option stated in the contracts. One 2003 RPU policy file contained a death claim. The automatic option stated in the policy was reduced paid up insurance and the policy should have been converted to RPU effective June 2004. WNIC used APL to pay premiums until there was not enough cash value to pay a quarterly premium and then converted the policy to RPU in 2004 for a face amount of $28.09.

- During review of calendar year 2004 APL files, the examiners found that the company used automatic premium loans to pay grace period premiums on 22 life policies even though the applications for coverage did not offer the APL option at the time of application for coverage.

- The premium for seven policies was previously paid by APL because that was the option selected by the applicants at the time of application for coverage. There was sufficient cash value remaining in each policy to continue paying the premiums by APL but WNIC elected to disregard the terms of the contracts and converted each to a reduced paid up policy.

- Twenty-one errors were found in the calendar year 2003 APL review. The applicants did not select APL at the time of application for coverage because the applications did not include the option (question) or because the applicants declined the APL option. None of the policy files contained a written request

from the insured/policyholders to pay premiums by APL as required by the contracts. WNIC disregarded the terms of the contracts and used APL to pay premiums on these 21 policies.

- Two complaints were not logged on company records and were not provided during the complaint review.

- Acknowledgement time studies could not be performed on 15 paid life claims because the company could not provide the initial date of receipt.

- The acknowledgement time study error ratios were as follows:

  1. Paid claims

     a. Paid long term care - 82%
     b. Paid specified disease - 16%
     c. Paid "Other" claims 30%.

  2. Denied claims

     a. Medicare supplement 13%
     b. Electronically filed Medicare Supplement 50%
     c. Long term care 58%
     d. "Other" claims 20%

- The determination time study error ratios were as follows:

  1. Paid claims

     a. Life 11%
     b. Paid long term care 57%
     c. "Other" claims 12%

  2. Denied claims

     a. Long term care 35%
     b. "Other" claims 12%.

SECTION I

I. SALES AND MARKETING PRACTICES

This section details the examination findings regarding sales and marketing practices. The items reviewed were the Certificate of Authority, licensing records pertaining to sales personnel, and product marketing and advertising materials.

A. Company Authorization

Missouri law limits the entities that may sell insurance and the types of insurance they may sell. These limitations exist to protect consumers and ensure that they receive fair treatment from insurers. After an insurer has submitted an application and complied with all requirements to conduct insurance business in Missouri, the DIFP grants a license called a Certificate of Authority.

During the time period covered by the examination, Washington National Insurance Company had authority to transact business in the following lines of insurance:

- Life, Annuities and Endowments
- Accident and Health

B. Antifraud Plan and Disaster Recovery Plan

The examiners reviewed WNIC's disaster recovery and fraud prevention and detection procedures manuals. No exceptions were noted.

C. Licensing, Marketing, Underwriting and Rating

WNIC uses Automated Benefit Services (ABS) to administer its health benefit claims. ABS is licensed in Missouri as a Third Party Administrator.

The agents/agency licensing, marketing, underwriting and rating areas were not reviewed because WNIC did not market any new business in calendar year 2004.

D. Forms and Filings

The examiners reviewed policy contracts and related forms to determine whether WNIC complied with Missouri law and requirements for the filing, approval and content of policy and related forms. These forms were also reviewed to ensure that the contract language used is not ambiguous and is adequate to protect the consumer.

The examiners did not perform a complete review of forms and filings *because the company did not issue any new business during the time frame of the examination.*

Forms were reviewed on an as needed basis during the claims review.

The examiners found no errors in this review.

SECTION II

II. CLAIM PRACTICES

This section of the report details examination findings regarding WNIC's claim practices. The examiners reviewed such practices to determine whether claims submitted to WNIC are efficiently processed and accurately paid, and for adherence to contract provisions, Missouri law and DIFP regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. A claim file, as a sampling unit, is defined as an individual demand or request for payment or action under an insurance contract. Benefits may or may not be payable under the contract when the request or demand is made.

The most appropriate statistic to measure compliance with Missouri law and DIFP regulations is the percentage of files found to be in error. A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.
- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

A. Claims Time Studies

In order to determine the efficiency of claims processing, the examiners reviewed claim records and calculated the amount of time taken by the Company to: (1) acknowledge receipt of notification of claims, (2) investigate claims, and (3) make payment or provide an explanation for the denial of claims.

DIFP regulations provide for the following time requirements in non-assigned claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim.
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

Prompt Pay Requirements

Missouri prompt pay law, sections 376.383 and 376.384, RSMo, requires that, within ten working days of its receipt of a claim under a health benefit plan as defined in section 376.1350, RSMo, the Company must:

1) Pay the claim, or
2) Send an acknowledgement of the date of receipt, or
3) Send notice of the status of the claim that includes a request for additional information.

Within 15 days after receipt of additional information from a health carrier or a third-party contractor, a health carrier shall pay the claim or any undisputed part of the claim in accordance with this section or send a notice of receipt and status of the claim:

1) That denies all or part of the claim and specifies each reason for denial, or
2) Make a final request for additional information.

Within 15 days after the day on which the health carrier or a third-party contractor receives the additional requested information in response to a final request for information, it shall pay the claim or any undisputed part of the claim or deny or suspend the claim.

If a health carrier has not paid the claimant on or before the 45th day from the date of receipt of the claim, the health carrier shall pay the claimant one percent interest per month. The interest shall be calculated based upon the unpaid balance of the claim. The interest paid pursuant to this subsection shall be included in any late reimbursement without the necessity for the person that filed the original claim to make an additional claim for that interest. A health carrier may combine interest payments and make payment once the aggregate amount reaches five dollars.

Following are the results of the time study and prompt payment reviews:

Paid Claims

1. **Paid Medicare Supplement Claims**

Field Size:	61,368
Size of Sample:	100
Type of Sample:	Computer Generated Random

The examiners found no errors in the acknowledgement, investigation and determination time study reviews.

2. Paid Life Claims

Field Size:	231
Size of Sample:	*50
Type of Sample:	Systematic

*The examiners could not perform acknowledgement time studies on 15 paid life claims because the initial date of receipt could not be determined from the information in the claim files. This is mentioned in the general handling section of this report.

The examiners found no errors in the acknowledgement and investigation time studies of the remaining 35 life claims.

Determination Time Studies

Working Days	Number of Claims	Percent
0-15	31	89%
Over-15	4	11%
Total	35	100%

The Company failed to notify the first party claimants of the acceptance or denial of the following four life claims within 15 working days after receipt of all information necessary to establish the nature and extent of the claims.

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050 (1) (A)

Policy Number	Claim Number	Date Investigation Complete	Date Claim Paid	Working of Days
4400373780	2004182577	11-03-04	12-13-04	26
4404347520	2003161783	12-30-03	01-30-04	22
4401094849	2004166851	11-24-03	02-11-04	52
PL9684705	2004184038	12-01-04	12-23-04	16

3. Paid Long Term Care Claims

Field Size:	207
Size of Sample:	28
Type of Sample:	*

*Selected first claim paid on each claimant in calendar year 2004.

The examiners found the following errors in this time study review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	5	18 %
Over-10	23	82%
Total	28	100%

WNIC failed to acknowledge receipt of 23 long term care claims within 10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030 (1)

Policy Number	Claim Number	Date of Notification	Date Claim Acknowledged	Working Days
307054532	462583	12-09-03	01-15-04	25
307286644	463071	12-09-03	01-15-04	25
307457984	468367	12-11-03	01-16-04	24
307671400	389021	12-10-03	01-13-04	24
307246184	305759	12-08-03	01-15-04	18
307249691	468345	12-11-03	01-16-04	24
307412835	479496	12-16-03	01-19-04	22
307400527	480046	12-23-03	01-19-04	17
307569321	463121	12-09-03	01-19-04	27
307248530	390734	12-05-03	01-09-04	23
307248529	342753	12-05-03	01-07-04	21
307507659	308240	12-03-03	01-05-04	21
307264096	513992	03-08-04	03-31-04	17
307368673	217665	02-09-04	03-03-04	17
307493427	194012	02-04-04	03-02-04	19
307417328	779887	01-22-04	02-11-04	14
307385958	750004	01-21-04	02-09-04	13
307420782	488349	12-16-03	01-23-04	26
307250666	722087	01-15-04	02-05-04	14
307258358	087933	11-10-03	01-14-04	44
307412849	649514	01-09-04	01-30-04	15
307286641	736902	01-19-04	02-11-04	17
307642760	661005	11-26-03	02-26-04	48

The examiners found no errors in the investigation time studies.

Determination Time Study

Working Days	Number of Claims	Percent
0-15	12	43%
Over-15	16	57%
Total	28	100%

The company failed to accept or deny 16 long-term care claims within 15 working days after receipt of all information necessary to establish the nature and extent of the claims

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A)

Policy Number	Claim Number	Date Investigation Complete	Date Claim Accepted	Working Days
307054532	462583	12-09-03	01-15-04	25
307286644	463071	12-09-03	01-15-04	25
307457984	468367	12-11-03	01-16-04	24
307671400	389021	12-10-03	01-13-04	24
307246184	304759	12-08-03	01-15-04	18
307412835	479496	12-16-03	01-19-04	22
307400527	480046	12-23-03	01-19-04	17
307248530	390734	12-05-03	01-09-04	23
307248529	342753	12-05-03	01-07-04	21
307507659	308240	12-03-03	01-05-04	21
307264096	513992	03-08-04	03-31-04	17
307368673	217655	02-09-04	03-03-04	17
307493427	194012	02-04-04	03-02-04	19
307420782	488349	12-16-04	01-23-04	26
307286641	736902	01-19-04	02-11-04	17
307642760	661005	11-26-03	02-26-04	48

4. Paid Specified Disease Claims

Field Size:	58
Size of Sample:	25
Type of Sample:	Systematic Sample

The examiners found the following errors in this time study review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	21	84 %
Over-10	4	16%
Total	25	100%

WNIC failed to acknowledge receipt of four specified disease claims within 10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030(1)

Policy Number	Claim Number	Date of Notification	Date Claim Acknowledged	Working Days
20D9680028	B64585201	10-18-04	11-17-04	22
20R5330014	B64045301	03-10-04	03-25-04	11
20R5330014	B64045305	03-10-04	03-26-04	12
20J3801195	B64570101	09-02-04	11-09-04	47

The examiners found no errors in the investigation time studies.

Determination Time Study

Working Days	Number of Claims	Percent
0-15	23	92%
Over-15	2	8%
Total	25	100%

The company failed to accept or deny two specified disease claims within15 working after receipt of all information necessary to establish the nature and extent of the claims

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A)

Policy Number	Claim Number	Date Investigation Complete	Date Claim Accepted	Working Days
20D9680028	B64585201	10-18-04	11-17-04	22
20J3801195	B64570101	09-02-04	11-09-04	47

5. Paid "Other" Claims

Field Size:	1297
Size of Sample:	50
Type of Sample:	Computer Generated Random

The examiners found the following errors in this review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	35	70 %
Over-10	15	30%
Total	50	100%

WNIC failed to acknowledge receipt of 15 paid "Other" claims within 10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030(1)

217945	11-01-04	11-24-04	15
104352	10-21-04	11-15-04	17
367488	07-27-04	09-24-04	45
749829	01-20-04	02-09-04	14
383976	07-07-04	07-22-04	11
322919	07-01-04	07-16-04	11
397489	02-25-04	03-15-04	13
094979	03-23-04	03-15-04	15
658773	02-02-04	03-01-04	20
165361	01-02-04	02-27-04	16
397942	12-17-03	02-03-04	17
386010	12-05-03	01-09-04	22
222129	12-02-03	01-05-04	22
318565	02-11-04	03-09-04	17
256540	02-16-04	03-03-04	12

The examiners found no errors in the investigation time studies.

Determination Time Study

Working Days	Number of Claims	Percent
0-15	44	88%
Over-15	6	12%
Total	50	100%

The company failed to accept or deny six paid "Other" claims within 15 working days after receipt of all information necessary to establish the nature and extent of the claims.

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A)

Claim Number	Date Investigation Complete	Date Claim Accepted	Working Days
104352	10-21-04	11-15-04	17
367488	07-27-04	09-24-04	45
165361	02-05-04	02-27-04	16
386010	12-05-03	01-09-04	22
222129	12-02-03	01-05-04	22
318565	02-11-04	03-09-04	17

Denied Claims

1. **Denied Medicare Supplement Claims**

Field Size:	6,069
Size of Sample:	50
Type of Sample:	Computer Generated Random

Thirty of the 50 d enied Medicare Supplement claims sampled were paper claims and 20 were electronic claims.

The examiners found the following errors in this review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	26	87%
Over-10	4	13%
Total	30	100%

WNIC failed to acknowledge receipt of the notification of four Medicare supplement claims within 10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030 (1)

Policy Number	Claim Number	Date of Notification	Date Claim Acknowledged	Working Days
PL0353044A	308267	06-29-04	07-15-04	11
PL1358215A	184477	06-24-04	07-13-04	12
PL1287591A	321182	06-28-04	07-21-04	16
PL0222842A	091053	06-03-04	06-28-04	17

Acknowledgement of Electronically Filed Claims

Working Days	Number of Claims	Percent
0-01	10	50%
Over-01	10	50%
Total	20	100%

WNIC failed to issue within one working day a confirmation of receipt of the following 10 electronically filed Medicare supplement claims.

Reference: Section 376.384.1(4), RSMo

Policy Number	Claim Number	Date of Notification	Date of Confirmation	Working Days
307567549	585861	10-14-04	10-19-04	3
307669344	140129	04-21-04	04-26-04	3
307673131	079281	04-16-04	04-21-04	3
307692183	334309	07-13-04	07-20-04	5
307245921	443240	09-28-04	10-06-04	6
307574862	297264	09-13-04	09-25-04	9
307646643	192173	02-18-04	03-02-04	9
307567488	469953	01-02-04	01-16-04	10
307376500	145118	08-27-04	09-16-04	13
307346188	367309	09-16-04	10-07-04	15

The examiners found no errors in the investigation and determination time studies.

2. **Denied Long Term Care Claims**

Field Size: 84
Size of Sample: 43
Type of Sample: *
*One claim was selected on each claimant from the list of claims denied in calendar year 2004.

The examiners found the following errors in this review:

Acknowledgement Time

Working Days	Number of Claims	Percent
0-10	18	42%
Over-10	25	58%
Total	43	100%

The Company did not acknowledge receipt of the notification of 25 long term claims within 10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030(1)

Policy Number	Claim Number	Date of Notification	Date Acknowledged	Working Days
307246184	084416	10-06-04	11-11-04	26
307420782	408165	11-08-04	12-20-04	26
307286641	111301	10-11-04	11-16-04	26
307233081	674039	09-14-04	11-22-04	49
307634651	113245	10-11-04	11-16-04	26
307681024	750337	09-24-04	11-02-04	27
307473167	744672	09-24-04	11-01-04	26
307260407	174724	06-29-04	08-09-04	28
307286644	339162	07-14-04	08-06-04	17
307497364	520115	07-16-04	08-03-04	12
307342359	328957	06-02-04	07-23-04	36
307445009	319987	06-23-04	07-16-04	16
307681006	279660	06-16-04	07-14-04	19
307296744	019558	06-10-04	06-22-04	11
307388639	723796	03-16-04	04-28-04	17
307507659	634894	03-16-04	04-01-04	12
307250666	485200	03-05-04	03-22-04	11
307201564	253678	02-13-04	03-19-04	25
307417328	779915	01-22-04	03-08-04	32
307354532	191964	02-05-04	02-26-04	15
307368673	518571	12-29-03	02-26-04	42
307362253	191228	01-28-04	02-26-04	21
307280958	120332	01-31-04	02-20-04	15
307271541	462207	01-13-04	02-06-04	18
307700093	667645	01-13-04	02-03-04	15

The examiners found no errors in the investigation time studies.

Determination Time Study

Working Days	Number of Claims	Percent
0-15	28	65%
Over-15	15	35%
Total	43	100%

The company failed to accept or deny 15 long term care claims within 15 working after receipt of all information necessary to establish the nature and extent of the claims

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A)

Policy Number	Claim Number	Date Investigation Complete	Date Claim Accepted	Working Days
307420782	408165	11-08-04	12-20-04	26
307286641	111301	10-11-04	11-16-04	26
307233081	674039	09-14-04	11-22-04	49
307634651	113245	10-11-04	11-16-04	26
307681024	750337	09-24-04	11-02-04	27
307473167	744672	09-24-04	11-01-04	26
307260407	174724	06-29-04	08-09-04	28
307286644	339162	07-14-04	08-06-04	17
307342359	328957	06-02-04	07-23-04	36
307445009	319987	06-23-04	07-16-04	16
307681006	279660	06-16-04	07-14-04	19
307388639	723796	03-16-04	04-08-04	17
307368673	518571	12-29-03	02-06-04	42
307362253	191228	01-28-04	02-26-04	21
307271541	462207	01-13-04	02-06-04	18

3. Denied Specified Disease Claims

Field Size: 39
Type of Sample: Census

The examiners found no errors in the acknowledgement, investigation and determination time studies.

4. Denied "Other" Claims

Field Size: 576
Size of Sample: 50
Type of Sample: Computer Generated Random

The examiners found the following errors in this review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	40	80%
Over-10	10	20%
Total	50	100%

The Company did not acknowledge receipt of the notification of 10 "Other" claims within10 working days after receiving notification of the claims.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030 (1)

Policy Number	Claim Number	Date of Notification	Date Acknowledged	Working Days
307448175	699089	09-02-04	11-22-04	56
307240965	554266	09-28-04	10-22-04	18
307226410	377589	09-09-04	09-29-04	14
307208797	404555	07-07-04	07-29-04	16
307706046	663541	03-18-04	04-05-04	12
307400471	166697	02-03-04	02-25-04	16
307562666	138660	02-03-04	02-24-04	15
307208797	117529	02-02-04	02-20-04	15
307279683	699496	03-31-04	06-04-04	46
307279683	699516	03-31-04	06-04-04	46

The examiners found no errors in the investigation time studies.

Determination Time Study

Working Days	Number of Claims	Percent
0-15	44	88%
Over-15	6	12%
Total	50	100%

The company failed to accept or deny six "Other" claims within 15 working after receipt of all information necessary to establish the nature and extent of the claims

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050(1)(A)

Policy Number	Claim Number	Date Investigation Complete	Date Claim Accepted	Working Days
307448175	699089	09-02-04	11-22-04	56
307208797	404555	07-07-04	07-29-04	16
307400471	166697	02-03-04	02-25-04	16
307652400	738695	05-07-04	06-15-04	26
307279683	699469	03-31-04	06-04-04	46
307279683	699516	03-31-04	06-04-04	46

5. Paid & Denied Health Benefit Plan Claims

Field Size:	303
Sample Size:	100
Type of Sample:	Computer Generated Random
Number of Errors:	26
Error Ratio	26%

a. The company stated it was not able to distinguish claims that were filed electronically from claims that were filed in paper form. Health care providers are required by state law and federal HIPAA regulations to file health benefit plan claims electronically after January 1, 2003. Therefore, it is reasonable to assume that the 100 sampled claims were filed in an electronic format. Since none of those 100 claims were acknowledged within 1 day the acknowledgment error ratio is 100%.

Reference: §§374.205.2(2), and 376.384.2, RSMo, and 20 CSR 300-2.200(2) (as replaced by, 20 CSR 100-8.040(2), eff. 7/30/08)

b. The following 26 electronically filed claims were not paid on or before the 45th day from the date of receipt of the claim, and the company did not pay 1% interest per month to the claimant on the amount due (except for claims marked with an asterisk (*). See footnote)

Reference: §376.383.5, RSMo.

Date Rec.	Date Paid	#days	Claim #	Claim Suffix	Claim Line
1/15/2004	4/21/2004	97	20040115	2677	2*
5/27/2004	8/2/2004	67	20040527	2378	56
5/27/2004	8/2/2004	67	20040527	2378	33
5/27/2004	8/2/2004	67	20040527	2378	39
5/27/2004	8/2/2004	67	20040527	2378	38
5/27/2004	8/2/2004	67	20040527	2378	10
5/27/2004	8/2/2004	67	20040527	2378	17
5/27/2004	8/2/2004	67	20040527	2378	66
5/27/2004	8/2/2004	67	20040527	2378	1
8/4/2003	9/22/2003	49	20030804	2450	1*
9/30/2003	12/3/2003	64	20030930	5679	2
5/12/2003	8/13/2003	93	20030512	4505	1*
1/16/2003	3/26/2003	69	20030116	5077	1
7/10/2003	9/15/2003	67	20030710	1864	2
1/21/2003	3/24/2003	62	20030121	4104	1
7/3/2003	9/10/2003	69	20030703	1964	1
7/29/2003	2/25/2004	211	20030729	257	2*

Date Rec.	Date Paid	#days	Claim #	Claim Suffix	Claim Line
9/4/2002	11/7/2002	64	20020904	5127	1*
10/7/2003	1/19/2004	104	20031007	3109	4*
10/7/2003	1/19/2004	104	20031007	3109	2
1/16/2003	3/5/2003	48	20030116	5157	17
1/16/2003	3/5/2003	48	20030116	5157	18
10/25/2002	1/9/2003	76	20021025	4793	1*
8/26/2002	2/11/2003	169	20020826	4450	10*
8/26/2002	2/11/2003	169	20020826	4451	4*
8/1/2003	9/24/2003	54	20030801	2385	1

*Interest was either paid or the amount was below the $5 minimum.

B. Unfair Settlement

Missouri law requires an insurer and its agents to disclose to first party claimants all pertinent benefits, coverage or other provisions of an insurance contract under which a claim is presented. Also, the denial of a claim must be given to the claimant in writing and a copy of the denial must be maintained in the claim file.

Paid Claims

1. Paid Medicare Supplement Claims

Field Size:	61,368
Size of Sample:	100
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

2. Paid Life Claims

Field Size:	231
Size of Sample:	50
Type of Sample:	Systematic
Number of Errors:	0

The examiners found no errors in this review.

3. **Paid Long Term Care Claims**

Field Size:	207
Size of Sample:	28
Type of Sample:	*
Number of Errors:	0

*Selected first claim paid on each claimant in calendar year 2004.

The examiners found no errors in this review.

4. **Paid Specified Disease Claims**

Field Size:	58
Size of Sample:	25
Type of Sample:	Systematic
Number of Errors:	0

The examiners found no errors in this review.

5. **Paid "Other" Claims**

Field Size:	1297
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

Denied Claims

1. **Denied Medicare Supplement Claims**

Field Size:	6,069
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

2. **Denied Long Term Care Claims**

Field Size:	84
Size of Sample:	43
Type of Sample:	*
Number of Errors:	4
Error Rate:	9%

*One claim was selected on each claimant from the list of claims denied in calendar year 2004.

WNIC did not acknowledge receipt of the notification of the following three claims and it failed to notify the first party claimants of the denial of their claims.

Reference: §375.1007(1), (3) and (7), RSMo, and 20 CSR 100-1.030

Policy Number	Claim Number
307507659	634894
307368673	518571
307280958	120332

The insured was notified of the denial of the following claim with the following statement: "A recent independent assessment showed you do meet the policy requirements for benefits. Therefore the claim is not covered."

Reference: §375.1007 (3), RSMo.

Policy Number	Claim Number	Date of Denial
307403045	578762	07-06-04

The claim was reopened and $25,550 was paid during the examination.

3. Denied Specified Disease Claims

Field Size:	39
Type of Sample:	Census
Number of Errors:	1
Error Rate:	3%
Within DIFP Guidelines:	Yes

A claim in the amount of $59,689 for service dates of March 23 to April 2, 2004, was denied because: "Treatment received ws [sic] not for cancer, as defined in the policy."

The admitting diagnosis was ICD-9 code 599.7, hematuria (blood in the urine) and the discharge/final diagnosis was ICD-9 code 188.8, malignant neoplasm of the bladder plus eight other ICD-9 codes. Hematuria, the admitting diagnosis, was the basis for the company's denial of the claim. Hematuria is a symptom of renal, vesical or prostatic disease or a bladder or kidney tumor.

The insured was diagnosed with cancer of the bladder in 1996 and again in 1999. Part of the claim file included a statement from an attending physician showing 47 dates of treatment from February 3rd through August 7, 2004. The claims all reference "HX of bladder malignancy" and either" "bladder disorder" or hematuria."

WNIC responded to examiners that if services are rendered during a hospital confinement for the definitive treatment of cancer, specific benefits will be issued, even if the confinement is not the direct result of cancer. There is no evidence in the claim file that the Company requested additional information in order to determine if the hematuria was other than symptomatic of the existing bladder cancer.

WNIC failed to pay benefits per terms of the policy. This constitutes and improper claims practice.

Reference: §375.1007 (1), (3), (4) and (6), RSMo.

Policy Number	Claim Number
20D9380044	B645901-01

Ten days daily hospital benefits amounting to $2000 were paid during the examination. The Company also requested that the insured provide statements from any physicians that provided services, copies of bills paid for blood and plasma and a list of prescribed drugs and medicine received during hospital confinement for the treatment of cancer.

4. Denied "Other" Claims

Field Size:	576
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

5. Denied Life Claims

Field Size:	1
Type of Sample:	Census
Number of Errors:	0

The examiners found no errors in this review.

6. Paid and Denied Health Benefit Claims

Field Size:	303
Size of Sample:	100
Type of Sample:	Computer Generated Random
Number of Errors:	2

The examiners found the following errors in this review.

a. Plan benefits were first claimed in claim #GE2708101 for surgical procedures on 6/24/02 to both knees of the claimant. Benefits were paid by the company for costs of surgery to only one knee because the company perceived, in error, that costs in connection with that service represented a duplicate billing for surgery to one knee.

On 5/07/03 the claim was re-filed. The claim was again denied although information on the HCFA 1500 claim form clearly advised that the surgery was a bilateral procedure. The claims' administrator subsequently recognized that surgery involved a bilateral procedure and paid additional benefits on 8/13/03.

Reference: §375.1007(6), RSMo.

b. Claim # 200208264451-4 - Payment was limited for assistant surgeon charges although such a limitation is not supported by the contract. The denial triggered a complaint to the department of Insurance. As a result, the complaint was reprocessed and payment was issued on 2/11/2003.

C. General Handling Practices

The examiners reviewed Company claim processing practices to determine adherence to its contract provisions and compliance with Missouri law and regulations.

Following are the results of this review:

Paid Claims

1. Paid Medicare Supplement Claims

Field Size:	61,368
Size of Sample:	100
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

2. Paid Life Claims

Field Size:	231
Size of Sample:	50
Type of Sample:	Systematic
Number of Errors:	4
Error Rate:	8%
Within DIFP Guidelines:	No

The examiners found the following errors in this review:

a. The primary beneficiaries and percentage of benefits payable to each are listed in the claim file as; brother 90%, father 5% and mother 5%. The father died before the insured. The Company improperly processed the claim under the below policy by paying 50% of the proceeds to the brother and 50% to the mother.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)(H)

Policy Number	Claim Number	Face Amount
0100536371	2004179614	$25,000

WNIC sent a letter to the beneficiaries during the examination explaining the error and asking the mother to return the overpayment to the Company, or to provide a letter from the brother stating that he accepted the 50/50 split.

b. Six months unearned premium was refunded to the beneficiary on the following claim. The insured's date of death was October 4, 2003, with a paid-to date of September 15, 2005. Eleven months unearned premium was due.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.050(1)(H)

Policy Number	Claim Number	Unearned Premium Underpayment
040K175650	2004174582	$58.37

The unearned premium plus 9% interest was refunded during the examination.

c. The following life claims were initially handled by an agent and agency, respectively.

There is a letter in the first claim listed below stating…"As instructed by your representative…., I am enclosing the following documents."

The second claim listed below was faxed to the company by an agency.

The claim files did not contain any information indicating when the agent and agency were initially notified of these claims. Consequently, the examiners could not perform acknowledgement time studies.

Reference: §§374.205.2(2), and 375.1007(3), RSMo, and 20 CSR 100-1.030(1), 20 CSR 300-2.100, and 20 CSR 300-2.200(3)(B)1. & 2. (as replaced by, 20 CSR 100-8.040(3)(B), eff. 7/30/08)

Policy Number	Claim Number
PC0902795C	2004175887
PL9684705	2004184038

d. The following 15 paid life claims could not be studied for acknowledgement time because the claim files did not contain and the Company did not provide the initial date of notification of the claim.

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B)1. & 2. (as replaced by, 20 CSR 100-8.040(3)(B), eff. 7/30/08)

Policy Number	Claim Number	Date of Loss
0100393126	2004170339	03-14-04
0100311150	2003164133	08-21-03
0100498764	2004174623	01-24-04
0100536371	2004179614	08-30-04
51CN272146	2004167361	01-21-04
4404347520	2003161783	11-06-03
4400686590	2004165447	12-23-03
4400498400	2004166228	12-19-03
4405995370	2004176667	06-30-04
4403697390	2004166546	01-24-04
PL9503037	2004167204	01-02-04
PL9527069	2004181544	10-05-04
0625993	2004178039	07-06-04
PL9701976	2004175445	05-31-04
PL9699903	2003162292	11-12-03

3. **Paid Long Term Care Claims**

Field Size:	207
Size of Sample:	28
Type of Sample:	*
Number of Errors:	0
Within DIFP Guidelines:	Yes

*Selected first claim paid in calendar year 2004, on each claimant.

The examiners found no errors in this review.

4. **Paid Specified Disease Claims**

Field Size:	58
Size of Sample:	25
Type of Sample:	Systematic
Number of Errors:	0

The examiners found no errors in this review.

5. **Paid "Other" Claims**

Field Size:	1297
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

Denied Claims

1. **Denied Individual Life Claims**

The examiners found no errors in this review.

2. **Denied Medicare Supplement Claims**

Field Size:	6,069
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

3. Denied Long Term Care Claims

Field Size:	84
Size of Sample:	43
Type of Sample:	*
Number of Errors:	5
Error Rate:	12%
Within DIFP Guidelines:	No

*One claim was selected on each claimant from the list of claims denied in calendar year 2004.

The examiners found the following errors in this review:

a. Four of the files listed below did not contain a copy of the claims that were selected for review. The file provided for the fifth claim was on a different individual than the one selected for review.

Reference §374.205.2(2), RSMo, 20 CSR 300-2.200(2) & (3)(B) (as replaced by, 20 CSR 100-8.040(2) and (3)(B), eff. 7/30/08)

Policy Number	Claim Number	Date Denied
307264458	666370	04-05-04
307264096	656700	04-02-04
307506037	574353	03-29-04
307248530	605221	01-28-04
307248529	039929	04-19-04

b. The below claim file included a complaint letter regarding slow payment. This complaint was not included on the Company's Complaint Register and not provided to examiners during review of complaint files.

Reference: §§374.205.2(2) and 375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by, 20 CSR 100-8.040(3)(D), eff. 7/30/08)

Policy Number	Claim Number
307417328	779915

4. **Denied Specified Disease Claims**

Field Size:	39
Type of Sample:	Census
Number or Errors:	0

The examiners found no errors in this review.

5. **Denied "Other" Claims**

Field Size:	576
Size of Sample:	50
Type of Sample:	Computer Generated Random
Number of Errors:	0

The examiners found no errors in this review.

6. **Paid and Denied Health Benefit Claims**

Field Size:	303
Size of Sample:	100
Type of Sample:	Computer Generated Random
Number of Errors:	12
Error Ratio:	12%

a. Initial review of the company's handling of the 100 sampled medical expense claims reveals that:

1. The company failed to maintain, as part of each of these 100 Missouri claim files, one or more of the following materials: Notifications of claim, proofs of loss, claim form(s), proof of claim payment checks/drafts, notes, work papers, any written communication, and any documented or recorded telephone communication related to the handling of the claims.

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B)1 (as replaced by, 20 CSR 100-8.040(3)(B), eff. 7/30/08)

2. The two claims listed below were improperly denied on the basis that they were not filed in a timely manner, although the insurer's contracted PPO re-priced each claim shortly following the dates of service.

Reference: 375.1007(3), RSMo.

a. The PPO re-pricing sheet for claim 200307290254 shows that re-pricing took place on January 16, 2002, only eight days following the date of service.

b. The PPO re-pricing sheet for claim 200307290257 shows that re-pricing took place on January 16, 2002, just 45 days following the date of service.

3. The company was unable to produce the claim forms that claimants submitted to the Company for reimbursement of the following 10 claims:

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by, 20 CSR 100-8.040(3)(B), eff. 7/30/08)

	DOS	CLAIM#	CLSUFFIX	CLLINE
1	3/12/2002	20020520	4971	3
2	5/24/2002	20020611	7581	4
3	8/2/2002	20020820	6610	1
4	3/12/2002	20020520	4324	1
5	5/14/2002	20020605	6476	20
6	6/13/2002	20020708	7031	1
7	11/12/2002	20021120	5002	8
8	10/21/2002	20021108	7266	13
9	10/21/2002	20021108	7266	23
10	6/13/2002	20020815	4229	1

SECTION III

III. COMPLAINTS AND GRIEVANCES

This section of the report details the examination findings regarding complaints and grievances against WNIC. Missouri law requires insurers to maintain a register of all complaints/grievances received and to retain the documentation on the handling of these complaints. The examiners reviewed 53 complaints and grievances submitted directly to the company or through the DIFP for calendar years 2002, 2003, 2004 and through May 31, 2005

The examiners found no errors in the review of the above complaints.

SECTION IV

V. NONFORFEITURES

This section details the examination findings regarding NIC's non-forfeiture practices. The examiners reviewed such practices to determine adherence to contract provisions and compliance with Missouri law and DIFP regulations.

1. Cash Surrenders

Field Size:	124
Size of Sample:	50
Type of Sample:	Systematic

The examiners found the following time study errors in this review:

Acknowledgement Time Study

Working Days	Number of Claims	Percent
0-10	47	94%
Over-10	3	6%
Total	50	100%

The company did not acknowledge receipt of the request for surrender on three policies within 10 working days after receipt.

Reference: §375.1007(3), RSMo, and 20 CSR 100-1.030(1)

Policy Number	Date of Receipt	Date Acknowledged	Working Days
PL9628954	04-26-04	06-18-04	38
PA9600409	06-23-04	09-14-04	57
PA9500210	10-04-04	11-05-04	24

Determination Time Study

Working Days	Number of Claims	Percent
0-15	44	88%
Over-15	6	12%
Total	50	100%

The company did not remit cash surrender benefits to the following six claimants within 15 working days after submission of all forms necessary to establish the nature and extent of the claims.

Reference: §375.1007(7), RSMo, and 20 CSR 100-1.050 (1) (A)

Policy Number	Date Investigation Complete	Date Accepted	Working Days
PL0910273A	02-02-04	04-05-04	45
PL9513969	05-19-04	07-02-04	31
PL9628954	04-26-04	06-18-04	38
PL0054760A	07-25-04	09-28-04	46
PA9600409	06-23-04	09-14-04	57
PA9500210	10-04-04	11-08-04	25

The Company received three requests to cash surrender the following policy. All three requests were rejected because the policy owner's signature was not witnessed. In the summer of 2004, the Company updated its procedures and no longer required the signature of a witness on cash surrender request forms. In order to accommodate this policy owner's request, the cash surrender request form received on July 26, 2004, was used to surrender the policy. The insured died on July 23, 2004, three days prior to the date the Company received the faxed surrender request. It should be noted that none of the surrender request forms contained an area to date the request for cash surrender. These forms were updated as of June 2005, and now include an area for the policy owner to date the surrender request.

Reference: §375.1007(4), RSMo.

Policy Number	Face Amount	Amount of Surrender	Under Payment
PL9625875	$10,000	$2,195	$7805

In response to Request #s 46 and 56, WNIC reopened the claim. The Company stated that, "a business decision was made to honor the death claim and a check was issued for the difference between the face amount of the policy and the amount already paid out for the policy surrender."

2. 2004 Reduced Paid Up Insurance Policies

Field:	66
Sample Size:	Census
Number of Errors:	51
Error Rate:	77.3%
Within DIFP Guidelines:	No

The examiners found the following errors in this review:

a. The company placed the following 29 policies on RPU Insurance although the applicants selected the APL at the time of application for coverage.

The company disregarded the APL selections made at the time of application, even though there was sufficient cash value to pay one or more premiums plus interest at the premium mode selected by the insured's. By ignoring the APL selection made by the applicants and placing these policies on reduced paid up insurance, the Company misrepresented the terms and conditions of the contract which constitutes an unfair trade practice.

Reference: §375.936(6)(a), RSMo.

Policy form number SWL-98P was used in the issue of these 29 policies.

Policy Number	Policy Number	Policy Number	Policy Number
PL9629311	PL9674208	PL9628955	PL9629312
PL9661888	PL9674434	PL9637458	PL9608101
PL9674918	PL9708229	PL9729737	PL9613192
PL9702578	PL9687912	PL9709178	PL9613191
PL9614259	PL9683328	PL9676783	PL9674433
PL9638270	PL9629019	PL9680356	PL9695024
PL9694754	PL9681279	PL9654172	PL9687099
PL9614259			

b. WNIC initiated automatic premium loans on the following policies when the premiums were unpaid at the end of the grace period. The applications for these five policies did not offer the APL option. The policy forms allow automatic premium loans, but only if requested in writing by the policy owner. No such request was included or referenced in the policy files provided to the examiners.

The Company misrepresented the benefits, advantages and terms of the policies since they were not administered in accordance with the terms of the contracts. This constitutes an unfair trade practice.

Reference: §375.936(6)(a), RSMo

Policy Number	Policy Form
PL9745725	SWL-98P
PL9542086	ILP-9564
PL9626481	SWL-95P
PL973172	SWL-98P
PL9542087	ILP-9564

c. Premiums on the following 16 policies were paid on the monthly mode. WNIC changed the mode of payment from monthly to quarterly without the consent or knowledge of the policy owners.

Reference: §375.936(11)(b), RSMo.

Policy Number	Policy Number	Policy Number	Policy Number
PC0918042C	PL9503805	PL9536431	PL9638270
PC0929866C	PL9503842	PL9539105	PL9674918
PC3073154C	PL9531534	PL9614259	PL9694754
PC9415771	PL9531535	PL9619762	PL9745725

d. The insured wrote "cancel" on the August 16, 2001, premium notice and returned it to the company. WNIC did not contact the insured about her request to cancel the policy. Instead it started using the automatic loan provision to pay premiums even though the policy stated that the automatic option was reduced paid-up insurance.

WNIC continued to pay premiums by APL until November 16, 2004. By that time there was not enough cash value in the policy to pay the quarterly premium. The company then converted the remaining cash value ($34.96) to reduced-paid up insurance.

Every premium paid by APL from August 16, 2001, to November 16, 2004, plus interest charged on the automatic premium loans, should be credited back to the cash value of this policy. The insured should be notified of the change in the reduced paid up insurance amount.

WNIC disregarded the terms of the contract and misrepresented to the insured the terms of the contract and policy provisions.

Reference: §§375.936 (6) and 375.1007 (1), RSMo

Policy Number	Policy Form Number
PL9542457	ILP-9564

3. **Automatic Premium Loan**

Field:	54
Type of Sample:	Census
Number of Errors:	29
Error Rate:	54%
Within DIFP Guidelines:	No

The examiners found the following errors in this review:

a. The applications used in the issue of the following 22 policies did not offer the option to select the APL feature at the time of application for coverage and none of the policy files contained a written request from the insured/policyholder to pay premiums by APL, as required by the terms of the contract.

WNIC implemented one or more automatic premium loans to pay premiums due on each of these policies. WNIC improperly administered these contacts and misrepresented relevant facts and policy provisions relating to coverage.

Reference: §§375.936 (6), 375.1005 (1) & (2) and 375.1007 (1), RSMo

Policy Number	Policy Number	Policy Number
PL9507356	PC0915792C	PL9505558
PL9539105	PL9602096	PL9731723
PL0022943A	PL9618621	PL9523212
PL9415161	PL9523747	PC0918042C
PL9507132	PL9512069	PL9745725
PC3073154C	PL9536431	PL9403764
PL9611577	PL9405136	PL9655947
PL9415711		

b. The premiums for the following seven policies were being paid by APL because this was the option selected by the applicants at the time of application for the policies. There was sufficient cash value remaining in each policy to continue paying the premiums by APL, but WNIC disregarded the terms of the contracts and converted each policy to a reduced paid up policy even though it did not receive any written instructions from policy owners requesting this option.

WNIC improperly administered these contacts and misrepresented relevant facts and policy provisions relating to coverage, which is an unfair trade practice.

Reference: §§375.936 (6), 375.1005 (1) & (2), and 375.1007 (1), RSMo.

Policy Number	Policy Number
PL9688524	PL9638270
PL9681279	PL9674918
PL9614259	PL9694754
PL9669804	

4. **2004 Extended Term Insurance**

Field Size:	29
Sample Size:	Census
Number of Errors:	0

The examiners found no errors in this review.

5. **2004 Lapsed Policies**

Field Size:	57
Sample Size:	25
Type of Sample:	Systematic
Number of Errors:	0

The examiners found no errors in this review.

Based on the errors found in the review of calendar year 2004 reduced paid up and automatic premium loan files, a decision was made to review calendar year 2003 RPU's and APL's. The results are as follows:

1. **2003 Reduced Paid Up Insurance Policies**

Field Size:	41
Sample Size:	Census
Number of Errors:	7
Error Rate:	17%
Within DIFP Guidelines:	No

The examiners found the following errors in this review:

a. WNIC used automatic premium loans to pay premiums due on the following policies even though automatic premium loans were not requested in writing by the policy owners.

Each of these policies should have been converted to RPU insurance according to the terms of the contracts.

WNIC misrepresented the terms and conditions of the contracts.

Reference: §§375.936 (6) and 375.1007 (1), RSMo

Policy Number	Policy Form Number
PL9739111	SWL-98P-MO
PL9744556	SWL-98P-MO
PL9743135	SWL-98P-MO
PL9411259	ILP-9564
PL9540832	ILP-9564
PL9735902	SWL-98P-MO

b. The company used APL to pay premiums due on the following policy for June, July, and August of 2002, and March through November of 2003.

WNIC converted the policy to RPU insurance in the amount of $28.09 at that time because there was insufficient cash value to pay future premiums. The insured died March 26, 2004, and the Company paid the reduced-paid up insurance death benefit. According to the terms of the contract the policy should have been converted to RPU in June of 2002.

Every premium paid by APL and the interest charged to these loans should be credited back to the cash value of this policy. The beneficiary should be paid the correct amount of reduced paid up insurance plus 9% interest from the date of death to the payment date of the correct RPU amount.

WNIC disregarded and misrepresented the terms of the contract.

Reference: §§375.936 (6), 375.1007 (1), RSMo and 20 CSR 100-1.050 (1)(H)

Policy Number	Policy Form Number
PL9706780	SWL-98P-MO

2. 2003 Automatic Premium Loans

Field Size:	37
Sample Size:	Census
Number of Errors:	21
Error Rate:	57%
Within DIFP Guidelines:	No

The examiners found the following errors in this review:

a. The applicants for the following 21 policies did not elect the APL option at the time of application for coverage, either because the application did not offer that option or because the applicants specifically declined the option. Also, none of the policy files contained written requests from these policy owners for premiums to be paid by APL, as required by the terms of the contract.

WNIC implemented one or more APLs to pay premiums due on each of these policies, thereby improperly administering the contacts and misrepresenting relevant facts and policy provisions relating to coverage.

Reference: §§375.936 (6), and 375.1007 (1), RSMo.

Policy Number	Policy Number	Policy Number
PL9618447*	PL9538334*	PL9507470*
PL9501989*	PL9501990*	PL9542087*
PL9547518*	PL9542086*	PL9544530*
PL9626481	PL9533940*	PL9706780
PL9513465*	PL9517665*	PL9522219
PL9546781	PL9739111	PL9514381
PL9601780	PL9744556	PL9667868

*counted once in the error rate.

* The provisions of these 12 policies do not allow the use of APL to pay premiums in default if premiums are being paid on the monthly mode. WNIC initiated one or more APLs on each of the above policies in calendar year 2003 although the scheduled premiums were paid on the monthly mode.

Reference: §§375.936 (6), and 375.1007 (1), RSMo.

Criticism #42 stated that the company improperly initiated APLs since the policy forms did not permit such loans when premiums were paid on a monthly mode.

The company replied that, since the company changed the policies to quarterly modal premiums, APLs were permitted. In response to criticism #47, which restated Criticism #42, the Company conceded that its action to change the premium mode from monthly to quarterly without authorization from the policyholder was not appropriate. As a result, the conditions of the contract were not followed, misrepresenting relevant facts and policy provisions to insured persons.

Reference: §§375.936(6), RSMo, and 375.1007(1), RSMo.

SECTION V

VI. UNCLAIMED PROPERTY

This section of the report details the examination findings regarding unclaimed property practices. The examiners reviewed practices for recording and reporting unclaimed property for reporting years 2002, 2003 and 2004 to determine compliance with Missouri law.

1. WNIC has the following procedures in place for disbursing funds for policy benefit and premium refunds.

   A request through the administration system from premium and/or policy benefits is initiated by the appropriate department. The administration system feeds the policy disbursement system and an approval is received by accounting to release the check.

   Premium refund checks are made payable to the policy owner.

2. WNIC has the following procedures in place for when company checks and drafts are not presented for payment, stale dated or lost in transit.

   Outstanding checks that are older than 180 days are transferred to an escheat account.

   Stale dated checks are researched by the abandoned property employee. If a check number is provided and the name or address is missing from the detail listing, check copies or check requests are examined for any relevant information.

3. WNIC has the following procedures in place when company mail containing a benefit or refund check is returned as undeliverable.

   Undeliverable checks go to the policy disbursement department for logging and follow up. A copy of the check and any correspondence is sent to the appropriate department for verification. The issuing department researches the address and if located will request the original check be resent. If the address cannot be updated, the check is transferred into the abandoned property general ledger account.

4. WNIC has the following procedures in place when funds received by it cannot be credited to a specific account, due to a lack of identifying information.

   When funds are received and cannot be credited to a specific account, due to a lack of identifying information, the money is put into a suspense account where it is then researched. If the funds still cannot be identified, the funds are returned to the policyholder.

The examiners criticized WNIC for not performing due diligence in trying to locate and remit payment to 16 individuals and/or entities prior to remitting the funds to the Missouri State Treasurer.

The Company responded with a list of the procedures it uses to locate these cases, to wit:

"When we receive an undeliverable check we utilize all of our available resources to locate the insured. We define an undeliverable check as one that was returned by the post office due to an incorrect address. Our search can include but is not limited to the following:

Accruint – If the address is the same as we have on file, we try to contact the insured by phone. We will utilize the phone number we have on file or obtain through <Accruint.com>, if different. In addition, we go through the file including cs01 to look for different information.

If the address from Accruint is different from what we have on file, we will send the check to that address.

1. Internet sites – If we do not have access to Accruint, we attempt to get information from white pages or other sites. Sites used are:

   anywho.com
   whitepages.com
   usps.com

2. If we have a death certificate, we attempt to make contact with people identified on the death certificate.

   When we receive returned checks it is generally because the customer refused the check because they don't agree with the amount received. This check would go to the correct business unit for research. Depending on the research, the processor will either return the same check or cut another check for a different amount. We can also receive a returned check if we made the check payable to the incorrect person. If this is the case, we cut a new check if applicable or send the same check with explanation."

   WNIC is not following its own procedures to try to locate individuals and entities due funds. For example, of the following seven items of improperly handled unclaimed property, it escheated $590 to the Missouri State Treasurer that was due the DIFP, and $532 that was due the Barnes Group in Columbia, MO.

   Reference: §447.539.5 & 7, RSMo.

	Year	Ref #	Name	$ Amt.	Comments
1	2004	640	Barnes Ins. Group	532.18	Street address: 801 Grey Oak Drive, Columbia MO 65201
2	2004	674	Heartland Reg Med	527.87	City name "Unknown"; Have Fed ID #
3	2004	675 & 676	Heartland Reg Med	874.20	Address good
4	2004	678	Wright Memor Hos	310.00	Name wrong address good
5	2004	690	DIFP	590.00	P O Box 690 Jefferson City, MO
6	2004	700	Rheams Insurance Service	230.75	Address incomplete Suite 375
7	2004	708	St. John's	1,094.37	Wrong name; correct information @ [417] 885-2829

WNIC made the following payments to the Missouri State Treasurer.

Date of Report	Report Year	Amount Paid
April 28, 2002	2001	$ 5,241
April 04, 2003	2002	$ 2,430
April 16, 2004	2003	$32,600

SECTION VI

VI. CRITICISM & FORMAL REQUEST TIME STUDY

This study reflects the amount of time taken by WNIC to respond to criticisms and requests submitted by the examiners.

A. Criticism Time Study

Calendar Days	Number Criticisms	Percentage
0-10	54	88.5%
Over-10	7	11.5%
Total	61	100%

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
0 -10	53	72%
Over-10	21	28%
Total	74	100%

Reference: §374.205.2(2), RSMo, and 20 CSR 300-2.200(3)(B) (as replaced by, 20 CSR 100-8.040(3)(B), eff. 7/30/08)

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Washington National Insurance Company (NAIC #70319), Examination Number 0507-18-LAH. This examination was conducted by Jim Casey, Gary Land, and Paul Baslee. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated July 12, 2006. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

11/8/2012

Jim Mealer — Date

Chief Market Conduct Examiner