

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

**In Re: LOYAL AMERICAN )  
LIFE INSURANCE COMPANY )  
SERFF TRACKING NUMBER ) Case No. 140306280C  
UTAC-129439063 )**

**ORDER DISAPPROVING FORM FILING**

Upon review and consideration of the filing of Loyal American Life Insurance Company, SERFF Tracking Number UTAC-129439063, specifically Form LY-AI-BA-MO, the Director DISAPPROVES said form for the reasons stated below.

**FINDINGS OF FACT**

1. John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri (“Director” of the “Department”).
2. Loyal American Life Insurance Company (“Loyal American”), NAIC Number 65722, is a foreign life and health insurance company organized pursuant to the laws of the state of Ohio and transacting insurance business in the state of Missouri pursuant to a Certificate of Authority issued by the Director.
3. Pursuant to §376.777,<sup>1</sup> insurance companies licensed to transact business in this state may not deliver or issue for delivery in this state a policy of accident or health insurance unless the form has been approved.
4. The Division of Market Regulation (the “Division”) is designated pursuant to section 374.075 with the review of forms that are filed by insurance companies.
5. Loyal American filed policy forms with the Director via the System for Electronic Rate and Form Filing (“SERFF”) on February 28, 2014. The SERFF Tracking Number is UTAC-129439063 (“Filing”).
6. The Filing contains, in pertinent part, form LY-AI-BA-MO, identified as an Accident Fixed Indemnity Insurance Policy (“Policy”).
7. Loyal American filed the individual Policy within SERFF as an Individual Health Accident Only Policy.

---

<sup>1</sup>All statutory citations are to RSMo (Supp. 2013) unless otherwise noted.

8. On page 27 of the Policy under the section titled Part 5: Premium Payments and Reinstatement and the subsection titled Grace Period, the form states:

A grace period of thirty-one (31) Days will be granted for the payment of each premium, falling due after the first premium. This policy will continue in force during the grace period. We will reduce any benefits payable for any claims incurred during the grace period by the amount of premium due. If no such claims are incurred and the premium is not paid during the grace period, insurance will end on the last Day of the period for which premiums were paid, unless You satisfy the conditions for reinstatement below.

9. On page 29 of the Policy under the section titled Part 8: How to File a Claim and the subsection titled Notice of Claim, the form states:

Written notice of a claim must be given to Us within ninety (90) Days after the occurrence or commencement of any loss covered by this policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of You to Us, with information sufficient to identify You which should include Your name and policy number and the Insured Person's name, address, and policy number, if different, will be notice to Us.

### CONCLUSIONS OF LAW

10. The Director shall approve only those policy forms that are in compliance with Missouri insurance laws, and "which contain such words, phraseology, conditions, and provisions which are specific, certain and unambiguous and reasonably adequate to meet needed requirements for the protection of those insured," pursuant to §376.777.
11. The Director may disapprove a form filed with the Department, and in doing so must state the reasons for the disapproval in writing, pursuant to §376.777.

### Loyal American's Filing Does Not Comply With All Provisions Required in a Policy Under Section 376.777

12. Section 376.777 provides in relevant part:

1. ***Required provisions.*** Except as provided in subsection 3 of this section ***each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in this subsection in the words in which the same appear in this section;*** provided, however, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of

different wording approved by the director of the department of insurance, financial institutions and professional registration which are in each instance not less favorable in any respect to the insured or the beneficiary....

\*\*\*

(3) *A provision* as follows: "**GRACE PERIOD:**

*A grace period of . . . (insert a number not less than "7" for weekly premium policies, "10" for monthly premium policies and "31" for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force."*

\*\*\*

5) *A provision* as follows: "**NOTICE OF CLAIM:**

Written notice of claim must be given to the insurer within twenty days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. *Notice given by or on behalf of the insured or the beneficiary to the insured at ..... (insert the location of such office as the insurer may designate for the purpose), or to any authorized agent of the insurer, with information sufficient to identify the insured, shall be deemed notice to the insurer".*

(Emphasis added.)

13. Loyal American's Policy is not compliant with Missouri insurance laws. Under the section titled Part 5: Premium Payments and Reinstatement and the subsection titled Grace Period, the Policy is noncompliant with §376.777.1(3) for the following reasons:
  - a. The Policy provides the statutorily required provision notifying the insured of the 31-day grace period; however, the provision then states benefits will be reduced for claims incurred during the grace period. Section 376.777.1(3) requires the policy to stay in full force during the grace period. Pursuant to §376.777.1(3), the Policy may not reduce benefits incurred during the grace period.
  - b. The Policy provides that the grace period will remain in full force during the grace period; however, the Policy then states that "insurance will end on the last Day of the period for which premiums were paid." Section 376.777.1(3) requires the policy to stay in full force during the grace period. Because the policy does not stay in full force and retroactively terminates, the Policy does not meet the substantive requirements of §376.777.1(3).

As such, the Policy does not comply with the laws of this state as required by §376.777.

14. Loyal American's Policy is not compliant with Missouri insurance laws. Under the section Part 8: How to File a Claim and the subsection titled Notice of Claim, the Policy is noncompliant with §376.777.1(5) for the following reasons:
  - a. The Policy fails to provide the location of the office that the insured shall mail the notice of claim, as required by §376.777.1(5).
  - b. The Policy fails to state that the insured may send notice of claim to "any authorized agent of the insurer," as required by §376.77.1(5).

As such, the Policy does not comply with the laws of this state as required by §376.777.

15. After review and consideration of the policy form included in Loyal American's Filing, the company has failed to demonstrate its compliance with Missouri law as enumerated herein.
16. While there may be additional reasons as to why this policy form does not comply with Missouri's insurance laws, the reasons stated herein are sufficient to disapprove the form.
17. Each reason stated herein for disapproval of a policy form is a separate and sufficient cause to disapprove such form.
18. Loyal American's Policy does not comply with Missouri law. As such, said form is not in the public interest.
19. This Order is in the public interest.

**IT IS THEREFORE ORDERED** that Form LY-AI-BA-MO is hereby **DISAPPROVED**. Loyal American Life Insurance Company is hereby prohibited from delivering or issuing for delivery any policies of health insurance utilizing said form.

**SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS** 10<sup>th</sup> day of April, 2014.

  
\_\_\_\_\_  
**JOHN M. HUFF**  
**DIRECTOR**



**NOTICE**

**TO: Loyal American Life Insurance Company and any unnamed persons aggrieved by this Order:**

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

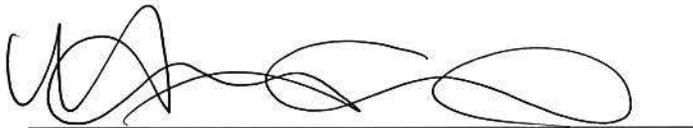
**CERTIFICATE OF SERVICE**

I hereby certify that on this <sup>am</sup> 10 day of April, 2014, a copy of the foregoing Order and Notice was

Served via certified mail addressed to:

Bradley Allan Wolfram  
President  
Loyal American Life Insurance Company  
11200 Lakeline Blvd., Suite 100  
Austin, TX 78717

Ashley Heath  
Compliance Analyst  
Loyal American Life Insurance Company  
11200 Lakeline Blvd., Suite 100  
Austin, TX 78717



A handwritten signature in black ink, consisting of several loops and flourishes, positioned above a horizontal line.