

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

In Re: FREEDOM LIFE INSURANCE	)	
COMPANY OF AMERICA	)	
SERFF TRACKING NUMBER	)	Case No. 131216663C
USHG-129304976	)	

ORDER DISAPPROVING FORM FILING

Upon review and consideration of the filing of Freedom Life Insurance Company of America, SERFF Tracking Number USHG-129304976, specifically Forms STMMGPEHP-2013-CFLIC and STMMGPEHP-2013-AE-MO-FLIC, the Director DISAPPROVES said forms for the reasons stated below.

FINDINGS OF FACT

1. John M. Huff is the Director of the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri ("Director" of the "Department").
2. Freedom Life Insurance Company of America ("Freedom Life"), NAIC Number 62324, is a foreign life and health insurance company organized pursuant to the laws of the state of Texas and transacting insurance business in this state pursuant to a Certificate of Authority issued by the Director.
3. Pursuant to §376.405,¹ insurance companies licensed to transact business in this state may not deliver or issue for delivery in this state a policy of group accident or group health insurance unless the form has been approved.
4. The Division of Market Regulation (the "Division") is designated pursuant to §374.075 with the review of forms that are filed by insurance companies.
5. Freedom Life filed policy forms with the Director via the System for Electronic Rate and Form Filing ("SERFF") on November 20, 2013. The SERFF Tracking Number is USHG-129304976 ("Filing").
6. The Filing contains, in pertinent part, forms STMMGPEHP-2013-CFLIC, identified as the Association Group Short Term Medical-Surgical Expense Plan ("Certificate"), STMMGPEHP-2013-AE-MO-FLIC, identified as an Amendatory Endorsement ("Endorsement"), and STMM-APP-2013-FLIC, which is an Enrollment Form.

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

7. On November 27, 2013, Freedom Life amended the Filing and replaced the Certificate with an amended form. The replaced Certificate, along with the Endorsement, is the subject of this Order.
8. Within the Supporting Documentation of the Filing, Freedom Life provided a Group Policy and a Group Application. Because these forms were filed within the Supporting Documentation, they are not intended by the company to be filed for approval. Freedom Life stated that these documents were approved by Arizona; however, Freedom Life has provided no evidence of such approval.
9. The Group Policy and Group Application, not submitted for approval, have not been approved for use in Missouri.
10. Brackets ([...]) within a policy form reviewed by the Division indicate that the language within the brackets may be in or out of the policy form.
11. Potentially, all benefits, coverages, or terms in brackets could be included in an issued policy form.
12. Conversely, all benefits, coverages, or terms in brackets could be excluded from an issued policy.
13. On page 22 of the Certificate under the section titled Premium and the subsection Grace Period, Freedom Life states:

Unless at least thirty-one (31) days prior to a **Monthly Renewal Premium** due date **We** have mailed to **You** written notice of **Our** intention not to renew this **Certificate** pursuant to the provisions of Section III.C. TERMINATION OF COVERAGE, a grace period of thirty-one (31) days from such due date is given for the late payment of the **Premium** due. If **You** make payment of the required **Premium** during such grace period, then this **Certificate** will remain in force for **Benefit** claims arising during such grace period and prior to the **Expiration Date**. However, if the **Company** has received notification of **Your** intention to cancel any **Insured's** coverage under this **Certificate**, there is no grace period for the late payment of any **Premium** that would otherwise have been due for such **Insured** but for such cancellation.

(Emphasis in original.)

14. On page 45 of the Certificate under the section titled Uniform Provisions and the subsection Time Limit on Certain Defenses, Freedom Life states that:

After two (2) years from the effective date of coverage, only fraudulent misstatements in the enrollment application may be used to void this **Certificate** or deny any claim for a loss occurring after the two (2) year period.

(Emphasis in original.)

15. On page 50 of the Certificate under the section titled Uniform Provisions and the subsection called Nondisclosed Medical History, Medical Conditions and Related Information, Freedom Life states:

During the first two (2) years coverage under this **Certificate** is in force it may be modified as provided below if, within that time, **We** discover that a medical condition or other material information was mistakenly not disclosed to **Us**:

* * *

3. If the disclosure would have resulted in coverage under this **Certificate** being issued either: (a) at an increased premium, or (b) with an endorsement eliminating that condition from coverage, **We** will either (i) have **You** pay the increased rate beginning with the **Issue Date** (if **You** do not pay the increased premium within thirty (30) days after receiving **Our** notice, **We** will refund all premium paid less any **Benefits** paid, and the coverage under this **Certificate** will be void from the **Issue Date**); or (ii) add an endorsement to the **Certificate** to exclude that condition from coverage. The endorsement must be signed by **You** to put this change in effect. If **You** do not return a signed copy of the endorsement within thirty (30) days after receiving it, **We** will refund all premiums paid less any **Benefits** paid, and the **Certificate** will be void from the **Issue Date**.

(Emphasis in original.)

16. On page 49 of the Certificate under the section titled Uniform Provisions and the subsection Misstatement of Age, Freedom Life states:

If the age of an **Insured** has not been stated correctly, his or her correct age will be used to determine (i) the amount of insurance for which he or she is entitled, (ii) the effective date of termination of insurance, and (iii) any other rights or **Sickness and Injury Benefits** under this **Certificate**.

Premiums will be adjusted if too much or too little was paid due to the misstatement.

(Emphasis in original.)

17. Within the section titled Notice of Claim in the Endorsement and on page 38 of the Certificate under the section titled Claim Procedures, Investigations and Payment and the subsection Notice of Claim, Freedom Life states:

Written notice of claim must be received by **Us** within thirty (30) days of the date that each **Covered Expense** is incurred by an **Insured**. If it is not reasonably possible for the notice of claim to be transmitted to **Us** so that it is received within such thirty (30) day period, then written notice of claim must be received by **Us** as soon thereafter as reasonably possible.

(Emphasis in original.)

18. On page 38 of the Certificate under the section titled Claim Procedures, Investigations and Payment and the subsection Claim Forms and Additional Information to be Provided, Freedom Life states:

When **We** receive timely written notice of claim, **We** will normally send **You** a claim form to be completed, signed and returned. The general purpose of the claim form is to provide **Us** with background information about the nature of the claim, which information may be necessary in order to complete a proper proof of loss. If this claim form is not provided to **You** within fifteen (15) days, of **Our** timely receipt of written notice of the claim, then **You** will not be required to later complete, sign and return the written claim form, but may be required to provide other information, including a written authorization for the release of medical records and information, which in each event is necessary either for **Our** investigation of the claim or otherwise as part of the completion of a proper proof of loss.

(Emphasis in original.)

19. On page 39 of the Certificate under the section titled Claim Procedures, Investigations and Payment and the subsection Payment of Claims, Freedom Life states:

The applicable portion of **Covered Expenses** incurred by an **Insured**, which are owed by the **Company** under this **Certificate**, will be paid to the **Primary Insured**, unless the right to such payment was previously assigned to a **Provider** for direct payment.

(Emphasis in original.)

20. On page 50 of the Certificate under the section titled Uniform Provisions and the bracketed subsection Legal Action, Freedom Life states:

[G. LEGAL ACTION

No action at law or in equity will be brought to recover on this **Certificate** prior to the expiration of sixty (60) days after proof of loss has been filed as required by this **Certificate**; nor will any action be brought after three (3) years from the expiration of the time within which proof of loss is required by this **Certificate**.]

(Emphasis in original.)

21. On pages 20 and 21 of the Certificate under the section titled When Coverage Begins and Ends and the subsection Termination of Coverage, Freedom Life states:

The **Certificate Duration** under this **Certificate** shall expire and terminate and coverage will no longer be in force and effect, upon the earlier to occur of the following:

* * *

6. with respect to **Your** child(ren) who are covered under this **Policy**, the premium due date in the month following such **Insured's** [twenty-sixth (26th)][nineteenth (19th) (twenty-fourth (24th) if a **Full-Time Student**)] birthday;

* * *

11. with respect to all **Insureds**, the date **We** elect to discontinue offering this type of short term medical insurance coverage in **Your** state and to terminate all such policies or certificates in **Your** state, in which case the commissioner of insurance for **Your** state and **You** will be given a minimum of thirty-one (31) days prior written notice of the termination, mailed to **Your** last known address;

* * *

During the **Certificate Duration**, the coverage of **Your** child who is an **Insured** will not end if he or she is dependent upon **You** for support and maintenance and incapable of self-support because of a mental handicap or physical disability. Such dependent **Insured's** coverage during the **Certificate Duration** will continue regardless of the dependent **Insured's** age, as long as **Monthly Renewal Premium** is timely and properly paid for **You** and the dependent **Insured** and such dependent **Insured** remains dependent upon **You** and incapable of self-support because of such mental handicap or physical disability. Proof of such handicap or disability must be furnished to **Us** within thirty-one (31) days prior

to the dependent **Insured** reaching the limiting age, and thereafter upon **Our** request.

(Emphasis in original.)

22. Freedom Life provides no explanation within the filing as to when the Endorsement will be issued with the Certificate to an insured.

CONCLUSIONS OF LAW

23. 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 §376.405.
24. 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 §376.405.

Freedom Life’s Filing Does Not Substantively Provide All Provisions Required In All Group Policies Under Section 376.426

25. Section 376.426 states in relevant part:

No policy of group health insurance shall be delivered in this state unless it contains in substance the following provisions, or provisions which ... are more favorable...:

(1) *A provision that the policyholder is entitled to a grace period of thirty-one days for the payment of any premium due except the first, during which grace period the policy shall continue in force*, unless the policyholder shall have given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period;

* * *

(2) A provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue, and that no statement made by any person covered under the policy relating to insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest

for a period of two years during such person's lifetime nor unless it is contained in a written instrument signed by the person making such statement; except that, no such provision shall preclude the assertion at any time of defenses based upon the person's ineligibility for coverage under the policy or upon other provisions in the policy;

* * *

(5) *A provision specifying the additional exclusions or limitations, if any, applicable under the policy with respect to a disease or physical condition of a person, not otherwise excluded from the person's coverage by name or specific description effective on the date of the person's loss, which existed prior to the effective date of the person's coverage under the policy. Any such exclusion or limitation may only apply to a disease or physical condition for which medical advice or treatment was received by the person during the twelve months prior to the effective date of the person's coverage...;*

(6) If the premiums or benefits vary by age, there shall be a provision specifying an equitable adjustment of premiums or of benefits, or both, to be made in the event the age of the covered person has been misstated, such provision to contain a clear statement of the method of adjustment to be used;

* * *

(8) A provision that 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. *Failure to give notice within such time shall not invalidate nor reduce any claim* if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible;

(9) A provision that the insurer shall furnish to the person making claim, or to the policyholder for delivery to such person, such forms as are usually furnished by it for filing proof of loss. *If such forms are not furnished before the expiration of fifteen days after the insurer receives notice of any claim under the policy, the person making such claim shall be deemed to have complied* with the requirements of the policy as to proof of loss upon submitting, within the time fixed in the policy for filing proof of loss, written proof covering the occurrence, character, and extent of the loss for which claim is made;

* * *

(11) A provision that *all benefits payable under the policy ... shall be payable not more than thirty days* after receipt of proof and that, subject to due proof of loss...;

* * *

(14) A provision that no action at law or in equity shall be brought to recover on the policy prior to the expiration of sixty days after proof of loss has been filed in accordance with the requirements of the policy and that no such action shall be brought at all unless brought within three years from the expiration of the time within which proof of loss is required by the policy;

(15) A provision specifying the conditions under which the policy may be terminated. Such provision shall state that except for nonpayment of the required premium or the failure to meet continued underwriting standards, *the insurer may not terminate the policy prior to the first anniversary date of the effective date of the policy...*;

(16) A provision stating that if a policy provides that *coverage of a dependent child terminates upon attainment of the limiting age for dependent children* specified in the policy, such policy, so long as it remains in force, shall be deemed to provide that attainment of *such limiting age does not operate to terminate the hospital and medical coverage of such child while the child is and continues to be both incapable of self-sustaining employment by reason of mental or physical handicap and chiefly dependent upon the certificate holder for support and maintenance. Proof of such incapacity and dependency must be furnished to the insurer by the certificate holder at least thirty-one days after the child's attainment of the limiting age.* The insurer may require at reasonable intervals during the two years following the child's attainment of the limiting age subsequent proof of the child's incapacity and dependency. After such two-year period, the insurer may require subsequent proof not more than once each year. This subdivision shall apply only to policies delivered or issued for delivery in this state on or after one hundred twenty days after September 28, 1985[.]

(Emphasis added.)

26. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Premium and the subsection Grace Period, the Certificate states:

[A] grace period of thirty-one (31) days from such due date is given for the late payment of the **Premium** due. If **You** make payment of the required **Premium** during such grace period, then this **Certificate** will remain in force for **Benefit** claims arising during such grace period and prior to the **Expiration Date**.

Section 376.426(1) requires the policy to stay in force during the grace period; this includes payment of claims. An insured may be liable for the payment of premium incurred during a grace period, but Freedom Life may not withhold claim payments. Because the policy is not effectively in force during the grace period, the Certificate does not meet the substantive requirements of §376.426(1). As such, the Certificate does not comply with the laws of this state as required by §376.405.

27. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Uniform Provisions and the subsection Time Limit on Certain Defenses, the Certificate's provision is not substantially similar to §376.426(2). The Certificate provides that "[a]fter two (2) years from the effective date of coverage, only fraudulent misstatements in the enrollment application may be used to void this certificate or deny any claim for a loss occurring after the two (2) year period." This is not substantially similar to or more favorable than §376.426(2), which states:

that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue, *and that no statement made by any person covered under the policy relating to insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two years during such person's lifetime nor unless it is contained in a written instrument signed by the person making such statement*; except that, no such provision shall preclude the assertion at any time of defenses based upon the person's ineligibility for coverage under the policy or upon other provisions in the policy[.]

(Emphasis added.) Because the Certificate's provision is not substantially similar to or more favorable than §376.426(2), the Certificate is not in compliance. As such, the Certificate does not comply with the laws of this state as required by §376.405.

28. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Uniform Provisions and the subsection called Nondisclosed Medical History, Medical Conditions and Related Information, Freedom Life states that if it discovers a medical condition was not previously

disclosed, it reserves the right to issue an endorsement excluding the condition from coverage. Because Freedom Life excludes and limits coverage under its policy for certain conditions, it is required to also provide a provision that is similar to or more favorable than the provision stated within §376.426(5), which requires disclosure that

any such exclusion or limitation may only apply to a disease or physical condition for which medical advice or treatment was received by the person during the twelve months prior to the effective date of the person's coverage.

However, the Certificate does not provide such a notice provision. As such, the Certificate does not comply with the laws of this state as required by §376.405.

29. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Uniform Provisions and the subsection Misstatement of Age, the Certificate states that benefits vary by age and that Freedom Life will adjust those benefits if there is a misstatement of age; however, the Certificate does not contain a clear statement of the method of adjustment to be used. Section 376.426(6) requires such a clear statement. As such, the Certificate does not comply with the laws of this state as required by §376.405.
30. Freedom Life's Certificate and Endorsement are not compliant with Missouri insurance laws. Within each form's section or subsection titled Claim Procedures, the Certificate and Endorsement exclude a required substantive notice provision. While the Certificate and Endorsement do provide the appropriate time frame to provide notice of a claim, they do not notify the insured that failure to give notice within the time frame "shall not invalidate nor reduce any claim" if it was not reasonably possible to do so, as required by §376.426(8). As such, neither the Certificate nor the Endorsement comply with the laws of this state as required by §376.405.
31. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Claim Procedures, Investigations and Payment and the subsection Claim Forms and Additional Information to be Provided, the Certificate states that if a claim form is not provided within fifteen days of Freedom Life's "timely receipt of written notice of the claim," the insured will not be required to complete a written claim form. This provision is not substantially similar to or more favorable than the required provision under §376.426(9), which does not require that the initial notice be timely for the claim form provision to be applicable. As such, the Certificate does not comply with the laws of this state as required by §376.405.

32. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Claim Procedures, Investigations and Payment and the subsection Payment of Claims, the Certificate provides that covered expenses will be paid. This is not substantially similar to or more favorable than the required provision under §376.426(11), which provides that payment will be made not more than 30 days after the receipt of proof. Freedom Life's provision fails to inform the insured as to the timing of payment. As such, the Certificate does not comply with the laws of this state as required by §376.405.
33. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled Uniform Provisions and the bracketed subsection Legal Action, the Certificate provides the required substantive provision that no legal action can be brought to recover on the policy before 60 days or after three years. However, this required provision is bracketed, which means that the provision may be included or excluded when the policy is delivered. Since this provision is required pursuant to §376.426(14), it cannot be bracketed because it must be included in the policy. As such, the Certificate does not comply with the laws of this state as required by §376.405.
34. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled When Coverage Begins and Ends and the subsection Termination of Coverage, Freedom Life states that it can terminate coverage with 31 days written notice. However, pursuant to §376.426(15) Freedom Life must provide a provision that substantively notifies the insured that, except for nonpayment of premium, coverage cannot be terminated by Freedom Life until the first anniversary date of the policy. Because Freedom Life's provision allows for termination of the policy prior to the first anniversary date irrespective of premium payments, it is not substantially similar to or more favorable than §376.426(15). As such, the Certificate does not comply with the laws of this state as required by §376.405.
35. Freedom Life's Certificate is not compliant with Missouri insurance laws. Under the section titled When Coverage Begins and Ends and the subsection Termination of Coverage, Freedom Life states that, with respect to children over a limiting age with a mental or physical handicap that makes them dependent upon the certificate holder for support, proof of handicap must be submitted to Freedom Life *within 31 days prior to* the child reaching the limiting age. However, pursuant to §376.426(16) the Certificate must substantively provide that such proof of handicap must be provided *at least 31 days after* the child reaches the limiting age. Because Freedom Life's Certificate requires the proof to be provided sooner than §376.426(16) allows, the provision is not substantially similar to or more than the statutory provision. As such, the Certificate does not comply with the laws of this state as required by §376.405.

36. After review and consideration of the policy forms included in the Freedom Life Filing, the company has failed to demonstrate its compliance with Missouri law as enumerated herein.
37. While there may be additional reasons as to why these policy forms do not comply with Missouri's insurance laws, the reasons stated herein are sufficient to disapprove the forms.
38. Each reason stated herein for disapproval of a policy form is a separate and sufficient cause to disapprove such form.
39. Neither Freedom Life's Certificate nor its Endorsement comply with Missouri law. As such, said forms are not in the public interest.
40. This Order is in the public interest.

IT IS THEREFORE ORDERED that Forms STMMGPEHP-2013-CFLIC and STMMGPEHP-2013-AE-MO-FLIC are hereby **DISAPPROVED**. Freedom Life Insurance Company of America is hereby prohibited from delivering or issuing for delivery any policies of group health insurance utilizing said forms.

SO ORDERED, SIGNED AND OFFICIAL SEAL AFFIXED THIS 10-7-14
day of January, 2014.


JOHN M. HUFF
DIRECTOR



NOTICE

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

You may request a hearing on the disapproval of 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.

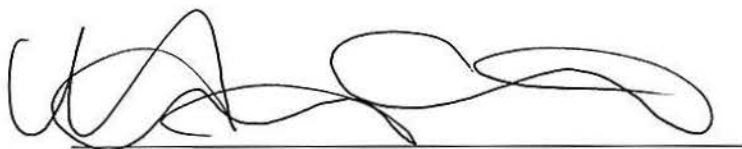
CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of January, 2014, a copy of the foregoing Order and Notice was

1) Served via certified mail addressed to:

Benjamin Cutler
President
Freedom Life Insurance Company of America
801 Cherry Street, Unit 33
Fort Worth, TX 76102

Erica Gibbs
Product Analyst
Freedom Life Insurance Company of America
801 Cherry Street, Unit 33
Fort Worth, TX 76102

A handwritten signature in black ink, consisting of several loops and flourishes, is written over a horizontal line.