

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of

GUARANTEE TRUST LIFE INSURANCE COMPANY
NAIC # 64211

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) Docket No. 4273-MC
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ORDER

Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Sandy Praeger, the duly elected, qualified and serving Commissioner of Insurance hereby adopts the Kansas Insurance Department’s Report of Market Conduct Examination of Guarantee Trust Life Insurance Company (“GTL”) as of December 31, 2008, (attached herein as Attachment A) by incorporating the same in its entirety with specific findings stated as follows. This Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no request for a hearing is made, pursuant to K.S.A. 77-542.

Policy Reason

1. Pursuant to K.S.A. 40-222, it is the policy of the Commissioner of Insurance to exercise the discretion to conduct a market regulation examination when she finds it to be warranted.

Findings of Fact

2. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.

3. The Kansas Insurance Department (“KID”) completed a targeted market conduct examination of GTL. The period of examination was January 1, 2004 through December 31, 2008.
4. On or about January 7, 2011 the Examiner-in-Charge provided GTL with a final draft of the Market Conduct Examination with request for GTL response in the form of written comments, additions, or acceptance.
5. GTL responded with written comments regarding the draft report.
6. The Kansas Commissioner of Insurance has since fully reviewed said Kansas report which is attached herein as Attachment A.
7. Tests for Marketing and Sales – General Standards
 - a. Standard 1 reviews all advertising and sales materials are in compliance with applicable statutes, rules and regulations.
 - i. During the review of student blanket coverage, it was found that there were 9 problems with the marketing material in violation of K.A.R. 40-9-100.
 - ii. During the review of the Critical Provider Program, a term life insurance policy with an accelerated benefit rider, it is noted that the “Critical Provider Product Brochure” is in violation of K.A.R. 40-2-20(b) and section 5 of the NAIC Rules Governing the Advertising of Life Insurance Model Regulation as adopted by K.A.R. 40-9-118.
 - iii. A cover letter sent to a new customer who has purchased the Critical Provider Program was found to be in violation of K.S.A. 40-2404(1)(a) and K.S.A. 40-2404(1)(e).

- iv. It was found that an incorrect application for the Critical Provider Program which was not approved by KID was used 5 times when offering insurance coverage in violation of K.S.A. 40-442 and K.S.A. 40-443.
- v. A marketing script and cover letter used to market GTL's Critical Provider Program did not explain that the policy being marketed was a life insurance policy rather than a health insurance policy which is a violation of K.S.A. 40-2404(1)(a) and K.S.A. 40-2404(1)(e).
- vi. The application for GTL's Critical Provider Program lists the product as a single premium in violation of K.A.R. 40-2-20(b), K.S.A. 40-2404(1)(a) and K.S.A. 40-2404(1)(e).
- vii. In products offered by GTL to group associations, the application lists only one cost, which co-mingled the association dues and premium amounts in violation of K.S.A. 40-2215.
- viii. GTL failed standard 1.

8. Tests for Marketing and Sales – Health Standards

- a. Standard 2 reviews to ensure that the outline of coverages are in compliance with all applicable statutes, rules and regulations.
 - i. One outline of coverage form for GTL's cancer product did not include a designation for the date, name and signature of the insurance agent or the name of the employee of the insurer if no agent is involved, who assumes responsibility for the outline in violation of K.A.R. 40-4-23(b)(3)(A).
 - ii. The outline of coverage form for GTL's cancer product also failed to disclose policy provisions relating to the cancelation of coverage in

violation of K.A.R. 40-4-23(b)(3)(F) and failed to disclose policy premiums in violation of K.A.R. 40-4-23(b)(3)(E).

iii. GTL failed standard 2.

9. Tests for Marketing and Sales – Long Term Care Standards

a. Standard 3 reviews to ensure that marketing for long term care products complies with applicable statutes, rules and regulations.

i. The Company offered to convert existing Long Term Care insurance policies that were due to have a significant rate increase implemented after the expiration of the initial rate guarantee period to a new Long Term Care Insurance policy offered by GTL. The offer included refunding premiums paid for the Compound Inflation Protection and Return of Premium riders back to the inception of the policy. GTL received fourteen complaints in 2008 regarding high pressure sales tactics related to this conversion.

ii. The Company failed standard 3.

10. Tests for Policyholder Services – Long Term Care Standards

a. Standard 4 ensures that policyholder service for long term care products complies with applicable statutes, rules and regulations.

i. Per an Illinois Consent Order and a separate agreement with KID, GTL refunded premium paid by the insureds if they chose to convert to a different policy. Fourteen errors of an improper refund out of a sample of fifty were found. After further inquiry, 287 total accounts were found to have errors.

- ii. The Company failed standard 4.

Applicable Law

K.S.A. 40-222 states, in pertinent part:

- (a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

K.S.A. 40-442 states:

No individual policy of life insurance shall be issued or delivered to any person in this state nor shall any application, rider or endorsement be used in connection therewith, until a copy of the form thereof has been filed with the commissioner of insurance.

K.S.A. 40-443 states:

No such policy shall be issued, nor shall any application, rider or endorsement be used in connection therewith, until such policy, application, rider or endorsement has been approved by the commissioner or until thirty (30) days after the filing of any such form, whichever first occurs.

K.S.A. 40-2215 states, in pertinent part:

- (b) No group or blanket policy or certificate of accident and sickness insurance providing hospital, medical or surgical expense benefits shall be issued or delivered to any person in this state, nor shall any application, rider or endorsement be used in connection therewith, until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto has been filed with the commissioner of insurance.

K.S.A. 40-2404 states, in pertinent part:

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(1) *Misrepresentations and false advertising of insurance policies.* Making, issuing, circulating or causing to be made, issued or circulated, any estimate, illustration, circular, statement, sales presentation, omission or comparison which:

(a) Misrepresents the benefits, advantages, conditions or terms of any insurance policy;

(e) uses any name or title of any insurance policy or class of insurance policies misrepresenting the true nature thereof;

K.S.A. 40-2442 states, in pertinent part:

(a) Within 30 days after receipt of any claim, and amendments thereto, any insurer issuing a policy of accident and sickness insurance shall pay a clean claim for reimbursement in accordance with this section or send a written or electronic notice acknowledging receipt of and the status of the claim. Such notice shall include the date such claim was received by the insurer and state that:

(1) The insurer refuses to reimburse all or part of the claim and specify each reason for denial; or

(2) additional information is necessary to determine if all or any part of the claim will be reimbursed and what specific additional information is necessary.

(b) If any insurer issuing a policy of accident and sickness insurance fails to comply with subsection (a), such insurer shall pay interest at the rate of 1% per month on the amount of the claim that remains unpaid 30 days after the receipt of the claim. The interest paid pursuant to this subsection shall be included in any late reimbursement without requiring the person who filed the original claim to make any additional claim for such interest.

(d) Within 15 days after receipt of all the requested additional information, an insurer issuing a policy of accident and sickness insurance shall pay a clean claim in accordance with this section or send a written or electronic notice that states:

(1) Such insurer refuses to reimburse all or part of the claim; and

(2) specifies each reason for denial. Any insurer issuing a policy of accident and sickness insurance that fails to comply with this

subsection shall pay interest on any amount of the claim that remains unpaid at the rate of 1% per month.

K.A.R. 40-1-34 states, in pertinent part:

Section 5.

- A. No insurer shall fail to fully disclose to first party claimants all pertinent benefits, coverages or other provisions of an insurance policy or insurance contract under which a claim is presented.

Section 7.

Every insurer shall complete investigation of a claim within thirty days after notification of claim, unless such investigation cannot reasonably be completed within such time.

Section 8.

- A. Within fifteen working days after receipt by the insurer of properly executed proofs of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to such provision, condition, or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial.
- C. If the insurer needs more time to determine whether a first party claim should be accepted or denied, it shall so notify the first party claimant within fifteen working days after receipt of the proofs of loss, giving the reasons more time is needed. If the investigation remains incomplete, the insurer shall, forty-five days from the date of the initial notification and every forty-five days thereafter, send to such claimant a letter setting forth the reasons additional time is needed for investigation.

K.A.R. 40-2-20 states, in pertinent part:

- (b) Each accelerated benefit shall have a title printed on or attached to the first page of the policy or rider. The title shall describe the coverage provided and shall be followed or accompanied by a description of the coverage containing the phrase “accelerated benefit” or words of similar import.

K.A.R. 40-4-23 states, in pertinent part:

(b) Each authorized issuer of accident and sickness insurance contracts and each authorized insurance agent who solicits, negotiates or procures such insurance within this state shall meet the following requirements:

(3) The agent or insurer shall provide to the prospective purchaser before or with the delivery of a contract, a dated outline of coverage describing the elements of the contract including:

(A) The name and signature of the insurance agent, or if no agent is involved, the name of the employee of the insurer who assumes responsibility for completing the outline;

(E) the premiums for the accident and sickness insurance policy and a separate listing of the premiums for each optional or supplemental benefit provided by the contract;

(F) a statement disclosing the provisions of the policy and any supplemental riders relating to renewability, cancelability and termination and any modification of benefits, losses covered or premiums because of age or for other reasons. The description shall be written in a manner which will not minimize or render obscure the qualifying conditions;

K.A.R. 40-9-100 states, in pertinent part:

Section 2. Applicability

C. Advertising materials that are reproduced in quantity shall be identified by form numbers or other identifying means. The identification shall be sufficient to distinguish an advertisement from any other advertising materials, policies, applications or other materials used by the insurer.

Section 10. Use of Statistics

C. The source of any statistics used in an advertisement shall be identified in the advertisement.

Section 12. Disparaging Comparisons and Statements

An advertisement shall not directly or indirectly make unfair or incomplete comparisons of policies or benefits or comparisons of non-comparable policies of other insurers, and shall not disparage competitors, their policies, services or

business methods, and shall not disparage or unfairly minimize competing methods of marketing insurance.

- A. An advertisement shall not contain statements such as “no red tape” or “here is all you do to receive benefits.”
- B. Advertisements that state or imply that competing insurance coverages customarily contain certain exceptions, reductions or limitations not contained in the advertised policies are prohibited unless the exceptions, reductions or limitations are contained in a substantial majority of the competing coverages.
- C. Advertisements that state or imply that an insurer’s premiums are lower or that its loss ratios are higher because its organizational structure differs from that of competing insurers are prohibited.

K.A.R. 40-9-118 states, in pertinent part:

Section 5

- (5) An advertisement shall prominently describe the type of policy advertised.

Conclusions of Law

Based upon the Findings of Fact enumerated in Paragraphs #1 through #10 and the Applicable Law cited above,

IT IS, THEREFORE, ORDERED BY THE COMMISSIONER OF INSURANCE:

- 1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
- 2. The Kansas Insurance Department’s (“KID”) Report of Market Conduct Examination of GTL as of December 31, 2008 is herein adopted in its entirety.
- 3. GTL’s failure to put a form number on six student blanket coverage advertising forms, not correctly market in two brochures for student blanket coverage, and provide unsupported statistics constitutes violations of K.A.R. 40-9-100.

4. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of Three Thousand Dollars and No Cents (\$3,000.00) for the above-stated violations of K.A.R. 40-9-100.
5. GTL's failure to clearly advertise and market that its "Critical Provider Program" as a life insurance policy with an accelerated benefit rider constitutes a violation of K.A.R. 40-2-20(b).
6. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violation of K.A.R. 40-2-20(b).
7. Failure of GTL's agents to use the proper application for GTL's "Critical Provider Program" which was filed and approved by KID constitutes a violation of K.S.A. 40-442 and K.S.A. 40-443.
8. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violations of K.S.A. 40-442 and K.S.A. 40-443.
9. GTL's appointed agency's use of a marketing script and cover letter which identifies GTL's "Critical Provider Program" as being a critical illness policy gave consumers the impression that the product being sold was a health insurance policy when it is actually a life insurance policy. This is a deceptive act which constitutes as violation of K.S.A. 40-2404(1)(a) and K.S.A. 40-2404(1)(e).
10. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violations of K.S.A. 40-2404.

11. GTL's application for its "Critical Provider Program" which is a term life insurance policy with an optional accelerated benefit rider is being marketed as one product with one premium suggesting that the accelerated benefit is not optional. GTL also uses "with Full Critical Illness Coverage" which is misleading and constitutes as violation of K.S.A. 40-2404(1)(a) and K.S.A. 40-2404(1)(e).
12. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violations of K.S.A. 40-2404.
13. GTL's failure to market its term life insurance policy and accelerated benefit as separate premium constitutes a violation of K.S.A. 40-2215(b).
14. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violation of K.S.A. 40-2215.
15. GTL's failure to include the date, name and signature of the agent or employer, provisions relating to cancellation of coverage and policy premiums in its cancer product's outline of coverage constitutes violations of K.A.R. 40-4-23.
16. Pursuant to K.S.A. 40-2,125(a)(1), GTL shall pay a monetary penalty of One Thousand Dollars and No Cents (\$1,000.00) for the above-stated violation of K.A.R. 40-4-23.
17. GTL's failure to accurately calculate refunds for 286 consumers who had received rate increases which was agreed upon in both an agreement with KID and the Illinois Consent Order.

18. Pursuant to K.S.A 40-2,125(a)(1), GTL shall pay a monetary penalty of Twelve Thousand and Twelve Dollars and No Cents (\$12,012) for failing to comply with the KID agreement and Illinois Consent Order.

IT IS SO ORDERED THIS 1st DAY OF AUGUST 2011, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



 /s/ Sandy Praeger _____
Sandy Praeger
Commissioner of Insurance

BY:

 /s/ Zachary Anshutz _____
Zachary Anshutz
General Counsel

NOTICE OF RIGHTS

GTL is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If GTL desires a hearing, the company must file a written request for a hearing with:

Zachary Anshutz, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If GTL requests a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing before the commencement of the same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event that GTL files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

Zachary Anshutz, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served the above and foregoing Order and Notice of Rights on this 1st day of August, 2011, by causing the same to be deposited in the United States Mail, registered mail with return-receipt requested postage prepaid, addressed to the following:

Mr. R.S. Holson III
President
Guarantee Trust Life Insurance Company
1275 Milwaukee Ave.
Glenview, IL 60025

_ /s/ Jennifer R. Sourk _____
Jennifer R. Sourk
Staff Attorney