MARKET CONDUCT EXAMINATION REPORT

KEY INSURANCE COMPANY
NAIC # 12966
8595 College Blvd, Suite 200
Overland Park, KS 66210

ETS # KS057-M11

As of

December 31, 2011

KANSAS INSURANCE DEPARTMENT
# Table of Contents

<table>
<thead>
<tr>
<th>Subject</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salutation</td>
<td>1</td>
</tr>
<tr>
<td>Purpose and Scope of Review</td>
<td>2</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Desk Examination</td>
<td></td>
</tr>
<tr>
<td>Complaint Handling</td>
<td>4</td>
</tr>
<tr>
<td>Conclusion</td>
<td>6</td>
</tr>
<tr>
<td>Appendix: Applicable Statutes and Regulations</td>
<td>A-1</td>
</tr>
</tbody>
</table>
Dear Commissioner Praeger:

In accordance with your respective authorization, and pursuant to K.S.A. 40-222, a market conduct examination has been conducted on the business affairs of:

   Key Insurance Company  
   NAIC # 12966  
   8595 College Blvd, Suite 200  
   Overland Park, KS  66210

hereafter referred to as “Key” or the “Company”, the following report of such examination is respectfully submitted,

Stacy Rinehart, FLMI, MCM, CIE, AIRC  
Market Conduct Manager  
Examiner-in-Charge
PURPOSE AND SCOPE OF REVIEW

A targeted market conduct examination of Key Insurance Company, also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222.

The Kansas Insurance Department (KID) reviewed the Company’s complaint handling after market analysis revealed possible issues with untimely responses to complaint correspondences with our office. The review was performed at KID on electronic files provided by the Company and was conducted according to the guidelines and procedures recommended in the 2011 NAIC Market Regulation Handbook (MRH). The exam team utilized the standards and tests recommended in the Handbook which allows an error tolerance 10%. Silence on any NAIC standard or Company practice does not imply KID acceptance or endorsement of such practices. Applicable statutes and regulations cited throughout the report may be found in the Appendix.

The examination included a review of the complaint register and the complaint files the company had received for the exam period of January 1, 2011 through December 31, 2011. This included only complaints received from KID, as no direct consumer complaints were received during the time period. Interrogatories were submitted to the Company prior to the file review segment of the examination, and written responses were provided.
EXECUTIVE SUMMARY

A review of the 2011 complaints received by Key Insurance Company revealed numerous untimely responses to the Kansas Insurance Department on complaint file correspondences. Other errors found include an incomplete complaint register as well as a small number of files with incomplete documentation. The exam team has made several recommendations based on the violations found during the examination, regardless of whether the standard was passed or failed. Additional details on each standard including percentages of compliance are found within the individual sections of this report.

Recommendations

1. The Company must add the disposition and date of disposition fields to the complaint register.

2. The Company should ensure all incoming complaint correspondence is date-stamped when received.

3. The Company must ensure adequate responses are sent to the Kansas Insurance Department on complaint files within the required timeframe.
DESK EXAMINATION

COMPLAINT HANDLING

The examiners reviewed the Company’s procedures for handling complaints, the complaint register from 2011, as well as the complaint files from that period. The “Number of Errors” included in the samples below are defined as the total number of complaints in the sample which contained errors.

**Standard 1**
All complaints are recorded in the required format on the company complaint register.

The complaint register provided by the company did include all of the complaints received for the exam period. However, the register did not contain the dispositions of the complaints or the dates of final disposition as required by K.S.A. 40-2404(10).

**Result:** Fail

**Recommendation:** The Company must add the disposition and date of disposition fields to the complaint register.

**Standard 2**
The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.

<table>
<thead>
<tr>
<th>Sample Type</th>
<th>Sample Size</th>
<th>Number of Errors</th>
<th>Percent Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints</td>
<td>49</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Result:** Pass

**Recommendation:** None

**Standard 3**
The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.

<table>
<thead>
<tr>
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<th>Number of Errors</th>
<th>Percent Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints</td>
<td>49</td>
<td>3</td>
<td>94%</td>
</tr>
</tbody>
</table>

There were three claim-related complaint files that did not contain a date stamp or other evidence of when the correspondence was received. This is a violation of K.A.R. 40-1-34, Section 4.

**Result:** Pass
Recommendation: The Company should ensure all incoming complaint correspondence is date-stamped when received.

**Standard 4**
The time frame within which the company responds to complaints is in accordance with applicable statutes, rules and regulations.

<table>
<thead>
<tr>
<th>Sample Type</th>
<th>Sample Size</th>
<th>Number of Errors</th>
<th>Percent Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints</td>
<td>49</td>
<td>29</td>
<td>41%</td>
</tr>
</tbody>
</table>

There were 29 complaint files in which the Company did not respond to the Kansas Insurance Department within the required time frame. This is a violation of K.A.R. 40-1-34, Section 6(b).

**Result:** Fail

**Recommendation:** The Company must ensure adequate responses are sent to the Kansas Insurance Department on complaint files within the required timeframe.
I would like to acknowledge the cooperation and courtesy extended to the examination team by the Key Insurance Company staff. The following examiners from the Office of the Commissioner of Insurance in the State of Kansas participated in the review:

**Market Conduct Division**

Stacy Rinehart  
Market Conduct Manager

Mary Lou Maritt  
Market Conduct Examiner

Claudia Perney  
Market Conduct Examiner

LeAnn Crow  
Market Conduct Examiner

Respectfully submitted,

Stacy Rinehart, FLMI, MCM, CIE, AIRC  
Market Conduct Manager  
Examiner-In-Charge
APPENDIX

Related Kansas Insurance Statutes and Administrative Regulations

K.S.A. 40-222. Examinations

(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.

…

(c) For the purpose of such examination, the commissioner of insurance or the persons appointed by the commissioner, for the purpose of making such examination shall have free access to the books and papers of any such company that relate to its business and to the books and papers kept by any of its agents and may examine under oath, which the commissioner or the persons appointed by the commissioner are empowered to administer, the directors, officers, agents or employees of any such company in relation to its affairs, transactions and condition.

…

(g) The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the commissioner's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted in accordance with the provisions of the Kansas administrative procedures act.

…

K.S.A. 40-2404. Unfair methods of competition and unfair or deceptive acts or practices

…

(10) Failure to maintain complaint handling procedures. Failure of any person, who is an insurer on an insurance policy, to maintain a complete record of all the complaints which it has received since the date of its last examination under K.S.A. 40-222, and amendments thereto; but no such records shall be required for complaints received prior to the effective date of this act. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaints, the date each complaint was originally received by the insurer and the date of final disposition of each complaint. For purposes of this subsection, "complaint " means any written communication primarily expressing a grievance related to the acts and practices set out in this section.
K.A.R. 40-1-34, Section 4.  File and Record Documentation

The insurer's claim files shall be subject to examination by the (Commissioner) or by his duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

K.A.R. 40-1-34, Section 6.  Failure to Acknowledge Pertinent Communications

…

(b) Every insurer, upon receipt of any inquiry from the insurance department respecting a claim shall, within fifteen working days of receipt of such inquiry, furnish the department with an adequate response to the inquiry.

…