Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Acting Director

VIA ELECTRONIC MAIL
VIA USPS CERTIFIED MAIL

January 29, 2021

Mr. Troy Alan McQuagge, President
Freedom Life Insurance Company of America
300 Burnett St. Suite 200
Fort Worth, TX. 76102

Re: Freedom Life Insurance Company of America, NAIC 62324
Market Conduct Examination Report Closing Letter

Dear Mr. McQuagge:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION
REPORT OF
FREEDOM LIFE INSURANCE COMPANY OF AMERICA

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	August 6, 2018 through April 4, 2019
EXAMINATION OF:	Freedom Life Insurance Company of America NAIC #62324
LOCATION:	300 Burnett Street, Suite 200 Fort Worth, Texas 76102
PERIOD COVERED BY EXAMINATION:	June 1, 2017 through May 31, 2018
EXAMINERS:	Elizabeth Harvey Christopher Heisler Delbert Knight Lucinda Woods June Coleman, Examiner-in-Charge Shelly Schuman, Supervisory Insurance Examiner

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I. SUMMARY

A targeted market conduct examination of Freedom Life Insurance Company of America (hereinafter referred to as the "Company" or "Freedom") was performed to determine compliance with Illinois statutes and Illinois Administrative Code. The lines of business reviewed were individual health and group accident and health.

The following table represents general findings with specific details in each section of the report.

Table of Total Violations

Criticism Number	Statute/Rule	Description of Violations	Files Reviewed	No. of Violations	Error %
06-Appeals	215 ILCS 5/368a(c)	Failed to pay a claim within 30 days.	143	12	8.39%
07-Appeals	215 ILCS 5/368a(c)	Failed to pay interest on late payment of health claims.	143	7	4.9%
01-Marketing and Sales	50 Ill. Adm. Code 2002.60(a) and Section 2002.Appendix A, ILLUSTRATION G	Failed to use content in marketing and sales materials that was complete and clear for consumer understanding.	113	3	2.65%
02-Marketing and Sales	50 Ill. Adm. Code 2002.70(a)(2) and Section 2002.Appendix A, ILLUSTRATION J (a) & (b)	Failed to use marketing and sales materials that were free of terms such as "peace of mind" in regard to coverage offered.	113	14	12.39%
03-Marketing and Sales	50 Ill. Adm. Code 2002.70(a)(2) and Section 2002.Appendix A, ILLUSTRATION J	Failed to use marketing and sales materials that were free of terms such as "filling the gaps" in regard to coverage offered.	113	4	3.54%

Table of Total Violations					
Criticism Number	**Statute/Rule**	**Description of Violations**	**Files Reviewed**	**No. of Violations**	**Error %**
09-Accident/Critical/Fixed/Short/Disease Paid Claims	50 Ill. Adm. Code 919.50(a)(1) and as further defined by 50 Ill. Adm. Code 919.40	Failed to provide the insured with a Notice of Availability of Department of Insurance when the settlement was less than the amount of the claim.	109	40	36.7%
11-Accident/Critical/Fixed/Short/Disease Denied Claims	50 Ill. Adm. Code 919.50(a)(1) and as further defined by 50 Ill. Adm. Code 919.40	Failed to provide insured with a Notice of Availability of Department of Insurance for excluded or denied benefits.	109	95	87.2%

II. BACKGROUND

Freedom Life Insurance Company of America - NAIC #62324

Freedom Life is a stock life insurance company domiciled in Texas, with home office operations located in Fort Worth, Texas. The Company was organized on March 30, 1956 as American Liberty Life Insurance Company in the state of Mississippi, commenced business on June 1, 1956. The Company's name was changed in 1964 to Consolidated American Life Insurance Company and in 1985 to its present name. Freedom re-domesticated to Texas in September 2000. The Company is a wholly owned subsidiary of USHEALTH Group, Inc. ("USHEALTH").

Freedom's in-force premiums consist mainly of various medical expense reimbursement and term life insurance products. It holds licenses in the states of Alabama, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wyoming. USHEALTH Advisors, LLC, an affiliate of the Company, is the Company's principal distribution channel for the products of Freedom Life.

The Company's 2017 NAIC Annual Statement for Illinois reflects the following information for individual and group accident and health:

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Group Accident and Health	$12,323,412	$12,215,930	$4,637,868	$5,635,030
Other Individual (Guaranteed Renewable)	$186,164	$183,681	$260,666	$ 232,239
Total	**$12,506,576**	**$12,399,611**	**$4,898,534**	**$5,867,269**

III. METHODOLOGY

The market conduct examination process places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The individual health and group accident and health business was reviewed in this examination.

The scope of this examination was a targeted examination including a review of the following areas:

A. Company Operations and Management
B. Complaints
C. Appeals
D. Marketing and Sales
E. Underwriting-Applications
F. Claims
G. Mental Health Parity

The review of these categories was accomplished through examination of material related to the Company's operations and management, complaint files, appeals files, marketing and sales files, underwriting files, and claim files, as well as interviews with various Company personnel and Company responses to the coordinator's handbook, information requests and criticisms. Each of the categories listed above was examined for compliance with Illinois statutes and the Illinois Administrative Code.

The following method was used to obtain the required samples and to ensure a statistically sound selection. Surveys were developed from company-generated Excel spreadsheets. Random statistical file selections were generated by the examiners from these spreadsheets. In the event the number of files was too low for a random sample, the sample consisted of the universe of files.

Company Operations and Management

A review was conducted of the Company's underwriting and claims guidelines and procedures, policy forms, third party vendors, internal audits, certificate of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

Complaints

The Company provided all consumer and Illinois Department of Insurance (ILDOI) complaints received during the examination period as well as copies of the complaint logs. All complaint files and logs were received. The files were reviewed for compliance with Illinois statutes and the Illinois Administrative Code. There were no exceptions noted.

Appeals

A review was conducted to identify all appeals for compliance with Illinois statutes and the Illinois Administrative Code.

Marketing and Sales

The Company provided a list of all marketing and sales material used in Illinois during the examination period. Additionally, the Company shared two (2) 2019 brochures in its responses to the initial findings; these two (2) brochures were included in the scope. All materials were received and reviewed to ensure that the material was in compliance with Illinois statutes and the Illinois Administrative Code.

Underwriting

The Company provided a list of all applications received and in force individual health and group accident and health policies. The Company identified the universe; random samples of the files were made by the examiners and submitted to the Company. The application received files were received and reviewed. The files were reviewed to ensure that the applications were processed in compliance with Illinois statutes and the Illinois Administrative Code.

Claims

The Company provided a list of all claims in various categories during the examination period, to include paid and denied. Due to various disqualifying factors, some individual files in the samples were replaced with another file. The files and responses to information requests were reviewed to ensure the claims were processed in compliance with the policy, Illinois statutes, the Illinois Administrative Code, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, 45 C.F.R. § 146.136.

IV. SELECTION OF SAMPLES

Survey	Population	Number Reviewed	Percentage Reviewed
Complaints			
Consumer Complaint – ILDOI	11	11	100%
Consumer Complaints – Received by the Company	5	5	100%
Appeals			
Appeals – Consumer	143	143	100%
Marketing and Sales			
Marketing and Sales Materials	113	113	100%
Underwriting			
Applications	18,482	116	<1%
Claims			
Accident/Critical/Fixed/Short/Disease - Paid	37,129	109	<1%
Accident/Critical/Fixed/Short/Disease – Denied	26,248	109	<1%
Cancer – Paid	1	1	100%
Major Medical – Paid	1,240	107	9%
Major Medical – Denied	291	82	28%

V. FINDINGS

A. COMPLAINTS

1. Department of Insurance Consumer Complaints

   There were no criticisms in the Department of Insurance consumer complaints survey.

2. Consumer Complaints Received Directly by the Company

   There were no criticisms in the consumer complaints survey.

B. APPEALS

In 12 instances of the 143 appeals files reviewed, for an error percentage of 8.39%, the Company failed to pay a claim within 30 days. This was a violation of 215 ILCS 5/368a(c).

In seven (7) instances of the 143 appeals files reviewed, for an error percentage of 4.90%, the Company failed to pay interest to the insured due to the delayed claim processing that resulted in a total of $315.88 interest due. The Company made payment to the insured during the course of the examination. This was a violation of 215 ILCS 5/368a(c).

C. MARKETING AND SALES

1. Marketing

   The Company marketed various types of products during the experience period of the examination. The products marketed included an individual ACA-compliant Essential Health Benefits (EHB) plan and group specified disease/sickness, critical illness, accident, and short-term disability.
   All marketing and sales materials that were available for distribution were provided for the review. Additionally, the Company shared two (2) 2019 brochures in its responses to the initial findings; these two (2) brochures have been included in the scope. The materials consisted of applications, brochures, pull tabs, post cards, take ones, signage, door hangers, flyers, banners, sticky notes, trifolds, websites and social media sites.

   In three (3) instances of the 113 marketing and sales files reviewed, for an error percentage of 2.65%, the brochures used charts comparing a Bronze EHB plan to

SecureAdvantage Sickness and SecureAdvantage Accident plans. These marketing materials were written in such a format that the content was not clear for consumers. These marketing materials included an "overall" impression, including size, color and prominence used to describe the benefits/plans offered when comparing to other plans. This was a violation of 50 Ill. Adm. Code 2002.60(a) and Section 2002.Appendix A, ILLUSTRATION G.

In 14 instances of the 113 marketing and sales files reviewed, for an error percentage of 12.39%, the Company failed to use marketing and sales materials that were free of terms such as "peace of mind." This was a violation of 50 Ill. Adm. Code 2002.70(a)(2) and Section 2002.Appendix A, ILLUSTRATION J (a) & (b).

In four (4) instances of the 113 marketing and sales files reviewed, for an error percentage of 3.54%, the Company failed to use marketing and sales materials that were free of terms such as "filling the gaps" in regard to coverage offered. This was a violation of 50 Ill. Adm. Code 2002.70(a)(2) and Section 2002.Appendix A, ILLUSTRATION J.

2. Sales

The group products were marketed for new business enrollments through the following associations: the American Business Coalition ("ABC"), the American Independent Business Coalition ("AIBC"), and the Unified Caring Association ("UCA").

The Company's products that were available through the ABC and the AIBC were marketed by USHEALTH Advisors, LLC agents. Memberships in the UCA that included coverage under the Company's blanket group policies issued to the UCA for the benefit of its enrolled members were marketed by agents of Patriot Health, Inc. who were duly licensed and appointed with the Company.

The Company stated that there was no "open enrollment period" for membership in the ABC. It also stated, "In the last two years, and because the ABC membership (and related blanket group coverage) was made available on a guaranteed issue basis, regardless of health status, the ABC ceased allowing new member enrollments around the ACA's open enrollment period. The ABC did not permit any new member enrollments from November 1, 2017 through January 15, 2018. Additionally, the ABC ceased allowing new member enrollment in 2018 effective October 1, 2018."
Before an application for insurance coverage is completed, the product is presented by an agent who reviews the product options to the prospective insured and explains the features, benefits, exclusions, and limitations of the product. The presentation is

made either in person or over the telephone using shared-screen internet applications. Agents are required to use Company-approved marketing materials, brochures and application forms, each of which contains various notices/disclosures. The various notices inform the consumer that the coverage constitutes "excepted benefits" and is not considered minimum essential coverage under the ACA, and that a tax penalty may apply.

Sales presentations by agents were not recorded and could not be reviewed to verify how the sales force explained the products' features, exclusions and limitations. However, during the onsite visit to the Company, an agent was interviewed. The sales process for the products offered through AIBC was reviewed. No violations were found.

A review for the products offered through ABC was not presented. The sales program was not available for review because of ABC ceasing new enrollment during ACA open enrollment period.

An additional review of a listing of 20 previous policyholders was conducted through phone interviews. The purpose of the interviews was to determine what information was provided to the previous policyholders about the type of coverage/benefits of the plans that they had purchased and if the insureds' needs were met. Contact was made with seven (7) previous policyholders. The interviews did not uncover any unusual or irregular sales practices.

D. UNDERWRITING

After the sales presentation, an application is completed and submitted. The underwriting process begins with a recorded verification call that is placed with a home-office representative and the applicant. The information on the application is verified and the applicant is provided with disclosures.

The recordings of the verification calls were reviewed. It was noted that in some cases, the applicants appeared to be confused concerning the coverage and asked questions. The Company's internal procedures required the verifier was to refer the applicant to his/her agent for clarification or further explanation. Instead, the verifier continued with the verification script.

E. CLAIMS

1. Accident, Critical Illness, Fixed Indemnity, Short Term Medical, Specified Disease – Paid

The median for payment was one (1) day.

In 40 instances of the 109 paid claim files reviewed, for an error percentage of 36.70%, the Company failed to provide the insured with a Notice of Availability of Department of Insurance when the settlement was less than the amount of claim as required by Illinois Administrative Code Section 919.50(a)(1). The Company provided the insured with an Explanation of Benefits (EOB) document to the insured and portions of the claim were paid less than the amount claimed. The EOB did not include the notice. This was a violation of 50 Ill. Adm. Code 919.50(a)(1) and as further defined by 50 Ill. Admin. Code 919.40.

2. Accident, Critical Illness, Fixed Indemnity, Short Term Medical, Specified Disease – Denied

   The median for denial was one (1) day.

   In 95 instances of the 109 paid claim files reviewed, for an error percentage of 87.16%, the Company failed to provide insured with a Notice of Availability of Department of Insurance for excluded or denied benefits as required by Illinois Administrative Code Section 919.50(a)(1). The Company provided the insured with an EOB document where the claim or portions of the claim were excluded or denied. The EOB did not include the notice. This was a violation of 50 Ill. Adm. Code 919.50(a)(1) and as further defined by 50 Ill. Adm. Code 919.40.

3. Cancer – Paid

   There was one (1) cancer claim paid and it was paid in seven (7) days.

   There were no criticisms in the cancer paid claims survey.

4. Major Medical – Paid

   The median for payment was one (1) day.
   There were no criticisms in the major medical paid claims survey.

5. Major Medical – Denied

   The median for denial was one (1) day.

   There were no criticisms in the major medical denied claims survey.

EXAMINATION DRAFT REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Elizabeth Harvey
Christopher Heisler
Delbert Knight
Lucinda Woods
June Coleman, Examiner-in-Charge
Shelly Schuman, Supervisory Insurance Examiner

Respectfully submitted,

June Coleman
JUNE COLEMAN
EXAMINER-IN-CHARGE

Shelly Schuman
SHELLY SCHUMAN
SUPERVISING EXAMINER

STATE OF PENNSYLVANIA)
) ss
COUNTY OF LANCASTER)

JUNE COLEMAN, being first duly sworn upon her oath, deposes and says:

That she was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Freedom Life Insurance Company of America, NAIC #62324, (the "Company").

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

June A. Coleman
Examiner-In-Charge

Subscribed and sworn to before me this 8th day of April, 2019.

Danielle Babula
Notary Public

Commonwealth of Pennsylvania - Notary Seal
DANIELLE BABULA - Notary Public
Lancaster County
My Commission Expires Jul 27, 2022
Commission Number 1338432

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

IN THE MATTER OF:

FREEDOM LIFE INSURANCE COMPANY OF AMERICA
300 BURNETT STREET, SUITE 200
FORT WORTH, TX. 76102

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Freedom Life Insurance Company of America ("the Company"), NAIC 62324, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of June 1, 2017 through May 31, 2018, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited limited areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated limited areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and

2. The Director and the Company consent to this Order the Company will take certain actions to ensure that it is fully compliant with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby, all claims and indemnities concerning health care services other than for any periodic payment shall be paid within 30 days after receipt of due written proof of such loss. An insured, insured's assignee, health care professional, or health care facility shall be notified of any known failure to provide sufficient documentation for a due proof of loss within 30 days after receipt of the claim for health care services. Failure to pay within such period shall entitle the payee to interest at the rate of 9% per year from the 30th day after receipt of such proof of loss to the date of late payment, provided that interest amounting to less than one dollar need not be paid. Any required interest payments shall be made within 30 days after the payment. 215 ILCS 5/368a(c)

2. Institute and maintain policies and procedures whereby, no advertisement shall contain or use words or phrases which are misleading to the public as outlined under 50 IL Adm. Code 2002.70(a)(2) & Section 2002 Appendix A, Illustration J.

3. Institute and maintain policies and procedures whereby, on first party claims, if a settlement of a claim is less than the amount claimed, or if the claim is denied, the company shall provide to the insured a reasonable written explanation of the basis of the lower offer or denial within 30 days after the investigation and determination of liability is completed. This explanation shall clearly set forth the policy definition, limitation, exclusion or condition upon which denial was based. Notice of Availability of the Department of Insurance shall accompany this explanation. 50 IL Adm. Code 919.50(a)(1)

4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of execution of this Order.

5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of $34,700.00 to be paid within 10 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of FREEDOM LIFE INSURANCE COMPANY OF AMERICA

Signature

Name

Title

Subscribed and sworn to before me this 15th day of December 2020.

Notary Public

LISA B. SILVIA
Notary Public, State of Texas
Comm. Expires 09-30-2021
Notary ID 5169694

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE 12/22/2020

Shannon Whalen
Acting Director