

**American Bankers Life Assurance Company  
of Florida**

**MARKET CONDUCT EXAMINATION REPORT**

**DATE OF EXAMINATION:** January 12, 2009 through March 20, 2009

**EXAMINATION OF:** American Bankers Life Assurance Company  
of Florida

**LOCATION:** 11222 Quail Roost Drive  
Miami, Florida 33157

**PERIOD COVERED  
BY EXAMINATION:** 10-1-07 through 9-30-08 Claims  
10-1-06 through 1-9-09 Complaints

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I. SUMMARY

1. The Company was criticized under 50 Ill. Adm. Code 919.70(a)(2) for failure to provide the insured with a reasonable written explanation for delay beyond 45 days.
2. The Company was criticized under 215 ILCS 5/154.6(i) for failure to affirm or deny claims within a reasonable time (considered to be 30 days as referenced in 50 Ill. Adm. 919.50).
3. The Company was criticized under 215 ILCS 5/154.6(d) for the underpayment of claims in the amount of \$774.34.
4. The Company was criticized under 215 ILCS 5/155.58 for failing to refund premiums.
5. The Company was criticized under 50 Ill. Adm. Code 919.60 for the use of the word "final" when additional benefits remain available.
6. The Company was criticized for a disability claim overpayment in the amount of \$11,020.23.
7. The Company was criticized under 215 ILCS 5/234.1 for failure to disclose all available options for non-forfeiture to the policy owner in the non-forfeiture notice to the policy owner/insured.
8. The Company was criticized under 215 ILCS 5/229.2(1)(i) for failure to enact non-forfeiture options within 60 days.
9. The Company was criticized under 50 Ill. Adm. Code 2007.80(a)(6) for failing to include the required "accident only" disclosure on the policy form face page.
10. The Company was criticized under 50 Ill. Adm. Code 1405.40(p)(2) for the use of prohibited language.
11. The Company was criticized under 50 Ill. Adm. Code 951.50(b)(1) for failure to limit the suicide exclusion to one (1) year on credit insurance.

## II. BACKGROUND

American Bankers Life Assurance Company of Florida (the "Company") was incorporated in 1952. Subsequently, the Company became a public company trading on the over-the-counter market. In 1980, there was a tax-free reorganization whereby a holding company was formed. All Company shares held by the public were surrendered at this time in exchange for shares of the holding company, American Bankers Group, Inc. In turn, American Bankers Insurance Group, Inc. received and currently holds all of American Bankers Life Assurance Company of Florida's issued and outstanding stock.

In 1999, American Bankers Insurance Group, Inc. was acquired by Fortis, a large European banking and insurance group. In early 2004, Fortis spun off its US operations in an initial public offering. The US operations are now known as Assurant, Inc. whose stock is traded on the New York Exchange. American Bankers Life Assurance Company of Florida is licensed as a life and health insurance company licensed in 49 states, also in Puerto Rico, US Virgin Islands and Canada. The Company's principal product lines are credit insurance products. The Company markets its products principally through financial institutions and retailers.

### III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Non-Forfeiture Analysis
4. Claims
5. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, Medicare supplement application files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments in claim surveys or undercharges and/or overcharges in underwriting surveys. The following methods were used to obtain the required samples and to assure a methodical selection.

#### Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

#### Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

### Non-Forfeiture Analysis

Listings were requested of all policies cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the period covered by the examination. These listings were retrieved by a search of Illinois life policies which either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

### Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for a coverage made during the examination period.
2. Denied Claims - Denial of benefits for losses not covered by policy provisions.
3. Individual or Franchise Claims - Determine whether the contracts were issued on an individual or franchise basis.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/et seq.) and Illinois Administrative Code (50 Ill. Adm. Code).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was October 1, 2007 through September 30, 2008.

### Consumer and Insurance Department Complaints

The Company was requested to provide all files relating to complaints which had been received via the Department as well as those received directly by the Company from the insureds or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department.

The examination period for Department complaints was October 1, 2006 through January 8, 2009.

**SELECTION OF SAMPLE**

<u>Survey</u>	<u>Population</u>	<u>Reviewed</u>	<u>% Reviewed</u>
<b><u>CLAIMS ANALYSIS</u></b>			
Paid Individual Life	1	1	100
Paid Group AD & D	3	3	100
Denied Group AD & D	12	12	100
Paid Credit Life	378	55	14
Denied Credit Life	53	53	100
Paid Mortgage Life & Disability	9	9	100
Denied Mortgage Life & Disability	3	3	100
Paid Credit Disability	754	57	8
Denied Credit Disability	54	54	100
Paid Annuity Death Settlements	4	4	100
<b><u>UNDERWRITING</u></b>			
Declined Life Applications	17	17	100
<b><u>NON-FORFEITURE ANALYSIS</u></b>			
Life Cash Surrenders	2	2	100
ETI / RPU	2	2	100
<b><u>COMPLAINTS</u></b>			
Department of Insurance Complaints	14	14	100
Consumer Complaints	2	2	100
<b><u>POLICY FORMS &amp; ADVERTISING</u></b>			
Policy Forms	25	25	100
<b><u>PRODUCTION</u></b>			
First Year Commissions	117,603	117,603	100



## IV. FINDINGS

### A. Claims Analysis

#### 1. Paid Individual Life

A review of one paid life claims produced no criticisms.

The median for payment could not be established.

#### 2. Paid Group Accidental Death and Dismemberment

A review of three (3) paid group accidental death and dismemberment claims produced one (1) criticism. A general criticism was written under 50 Ill. Adm. Code 919.70(a)(2) for failure to provide the insured with a reasonable written explanation for delay beyond 45 days for all of the claim files reviewed. The purpose of this Section of the Administrative Code is to inform claimants with delayed claims that the Illinois Department of Insurance is available to assist. Letters were sent periodically but none contained the required Notice of Availability of the Department of Insurance. None qualified as delay letters because this required notice was absent.

The median for payment could not be established.

#### 3. Denied Group Accidental Death and Dismemberment

A review of 12 denied accidental death and dismemberment claim files produced no criticism.

The median for denial was 14 days.

#### 4. Paid Credit Life

A review of 55 paid credit life claim files produced no criticisms.

The median for payment was 11 days.

5. Denied Credit Life

A review of 53 denied credit life files produced four (4) criticisms. A general criticism was written under 215 ILCS 5/154.6(i) for failure to affirm or deny claims within a reasonable time (considered to be 30 days as referenced in 50 Ill. Adm. 919.50). A general criticism was written under 50 Ill. Adm. Code 919.70(a)(2) for failure to provide the insured with a reasonable written explanation for delay beyond 45 days for all of the claim files reviewed. The purpose of this Section of the Administrative Code is to inform claimants with delayed claims that the Illinois Department of Insurance is available to assist. Letters were sent periodically but none contained the required Notice of Availability of the Department of Insurance. None qualified as delay letters because this required notice was absent. Two (2) underpayment criticisms were written under 215 ILCS 5/154.6(d) totaling \$774.34.

The median for denial was 11 days.

6. Paid Mortgage Life and Disability

A review of nine (9) paid mortgage life and disability claim files produced one (1) criticism. An individual criticism was written under 215 ILCS 5/155.58 for failure to promptly refund premium in the amount of \$557.52.

The median for payment was 15 days.

7. Denied Mortgage Life & Disability

A review of three (3) denied mortgage life and disability claim files produced no criticisms.

A median could not be established.

8. Paid Credit Disability

A review of 57 paid credit disability claim files produced two (2) criticisms. A general criticism was written under 50 Ill. Adm. 919.60 for indicating to the insured that the payment is "final" on 23% of the files under review. One (1) claim had a contract overpayment in the amount of \$11,020.23. This was written on a claim made by a retired insured. According to the terms and conditions of the policy/certificate of insurance, the claimant must be employed at the time of disability.

The median for payment was eight (8) days.

9. Denied Credit Disability

A review of 54 denied credit disability claim files produced no criticisms.

The median for denial was 12 days.

10. Annuity Death Settlements

A review of four (4) annuity death settlement files produced no criticisms.

The median for processing could not be established.

B. UNDERWRITING

1. Declined Life Applications

A review of 55 declined life applications produced no criticisms.

The median for declination was four (4) days.

C. NON-FORFEITURE ANALYSIS

1. Life Cash Surrenders

A review of two (2) life cash surrendered files produced no criticisms.

The median for processing surrender could not be established.

2. Extended Term Insurance/Reduced Paid Up

A review of two (2) Extended Term/Reduced Paid Up files produced one (1) criticism. A general criticism was written under 215 ILCS 5/234.1 for failure to disclose all available options for non-forfeiture to the policy owner. The language contained in the letters provided to the insured/policy owner refers them to the policy. This section of the Code requires that all available options are included in the dated notice. A general criticism was written under 215 ILCS 5/229.2 for failure to place on non-forfeiture within 60 days.

A median for enactment could not be established.

## D. COMPLAINTS

### 1. Department of Insurance Complaints

A review of 14 Department of Insurance Complaint files produced no criticisms.

The median for response to the Department of Insurance was 12 days.

### 2. Consumer Complaints

A review of two (2) consumer complaint files produced no criticisms.

The median for response to the consumer could not be established.

## E. POLICY FORMS AND ADVERTISING

### 1. Policy Forms

A review of the 25 policy and application forms in use resulted in five (5) individual criticisms. One (1) policy form was criticized under 50 Ill. Adm. Code 2007.80(a)(6) for failing to include on the face page of the policy/certificate the required accident disclosure. The required language, "This is an accident only policy and does not pay benefits for loss from sickness," is not shown on the first page of the filed form. The third form was criticized for the use of ambiguous policy language in violation of 50 Ill. Adm. Code 1405.40(p)(2). Two (2) credit insurance life forms were criticized under 50 Ill. Adm. Code 951.50(b)(1) for including a two (2) year exclusion for suicide in the certificate. This Section of the Administrative Code limits the exclusion to 12 months.

### 2. Advertising

A review of the advertising material provided produced no criticisms.

## F. PRODUCER ANALYSIS

### 1. Producer Licensing

A review of 117,603 first year commissions produced no criticisms. The number of producers could not be determined.

V. APPENDICES