Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA USPS CERTIFIED MAIL
RETURN RECEIPT REQUESTED

October 16, 2017

Julie M. Hix
Vice President Regulatory Compliance
Assurant Health
501 W. Michigan
P.O. Box 3050
Milwaukee, WI 53201-3050

Re: Time Insurance Company, NAIC # 69477
John Alden Life Insurance Company, NAIC # 65080
Union Security Insurance Company, NAIC # 70408
Market Conduct Compliance Examination Report Closing Letter

Dear Ms. Hix:

On October 16, 2017, the Department sent your Companies a draft copy of the examination report. On October 16, 2017, the Department received correspondence from you indicating Time Insurance Company, John Alden Life Insurance Company and Union Security Insurance Company are in agreement with the findings contained in the report.

I intend to ask the Director to make the Compliance Examination Report available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report is 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.

The Department has completed this compliance market conduct examination and is closing its file on the exam. A copy of the verified Compliance Examination Report is enclosed.

Please contact me if you have any questions.

Sincerely,

Jack Engle

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

Enclosure

Illinois Department of Insurance
Market Conduct Examination of

Assurant Health

Time Insurance Company
John Alden Life Insurance Company
Union Security Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	July 8, 2014 through March 6, 2015
EXAMINATION OF:	Assurant Health Time Insurance Company, NAIC # 69477 John Alden Life Insurance Company, NAIC # 65080 Union Security Insurance Company, NAIC # 70408
LOCATION:	501 West Michigan Milwaukee, Wisconsin 53201
PERIOD COVERED BY EXAMINATION:	April 1, 2012 through December 31, 2013 – Claims April 1, 2011 through July 31, 2014 – Appeals and Complaints
EXAMINERS:	Tiffany Jones David Bradbury, Examiner in Charge

INDEX

		Page
I.	FOREWORD	1
II.	SCOPE OF EXAMINATION	2
III.	COMPLIANCE	3
IV.	SUMMARY	5
V.	BACKGROUND	6
VI.	METHODOLOGY	8
VII.	FINDINGS	10
	A. Claims Analysis	10
	1. Small Group Paid – TIC	
	2. Small Group Paid – JALIC	
	3. Small Group Paid – USIC	
	4. Small Group Denied – TIC	
	5. Small Group Denied – JALIC	
	6. Small Group Denied – USIC	
	7. Paid Individual Health – TIC	
	8. Paid Individual Health – JALIC	
	9. Denied Individual Health – TIC	
	10. Denied Individual Health – JALIC	
	11. Paid Short Term – TIC	
	12. Paid Short Term – JALIC	
	13. Denied Short Term – TIC	
	14. Denied Short Term – JALIC	
	15. Student Health Paid – TIC	
	16. Student Health Denied – TIC	
	B. Consumer Appeals	12
	C. Administrative Appeals	13
	D. Department of Insurance Complaints	13
	1. Time Insurance Company	
	2. John Alden Life Insurance Company	
	3. Union Security Insurance Company	

I. FOREWORD

This is a market conduct compliance examination report of the Time Insurance Company ("TIC") (NAIC Code # 69477), John Alden Life Insurance Company ("JALIC") (NAIC Code #65080), and Union Security Insurance Company("USIC") (NAIC # 70408). This examination was conducted at the offices of all three insurers operating under the marketing name of Assurant Health, located at 501 West Michigan, Milwaukee, Wisconsin 53201.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, or files does not constitute approval thereof by the Illinois Department of Insurance.

Pursuant to the prior stipulation and consent order, "Nothing, contained therein 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 Companies violate the provisions of this Stipulation and Consent Order, any other provisions of the Illinois Insurance Code or Department Regulations."

During this examination, the examiners gauged compliance with the prior orders and cited other errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

Wherever used in the report:

"Assurant" refers to Assurant Health;
"TIC" refers to Time Insurance Company;
"JALIC" refers to John Alden Life Insurance Company;
"USIC" refers to Union Security Insurance Company;
"Department" refers to the Illinois Department of Insurance;
"EOB" refers to Explanation of Benefits;
"IIC" refers to the Illinois Insurance Statute;
"IAC" refers to the Illinois Administrative Code

II. SCOPE OF EXAMINATION

The Department has the Authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the prior issued orders dated December 13, 2011, and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is April 1, 2011 through December 31, 2013 for claims and April 1, 2011 through July 2014 for complaints and appeals unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination was a compliance examination involving the following business functions and lines of business: claims handling practices, policy forms and the handling of consumer complaints, appeals and Department complaints for all lines of business.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, extra-contractual claim adjudication guidelines and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. COMPLIANCE

The Company was previously the subject of a comprehensive examination conducted by the Illinois Department of Insurance, from July 30, 2008 through December 5, 2008. The examination reviewed the Company's activities during the period January 1, 2003 through June 30, 2008.

Based upon the findings of the Examiners, Illinois Acting Director of Insurance Andrew Stolfi issued the following five (5) orders on December 13, 2011:

1. Institute and maintain procedures consistent with 215 ILCS 5/359a which adequately call to the attention of the applicant or insured the importance of reviewing the completed application to ensure that it contains no corrections or insertions and that all information on the application is accurate and complete.

   The Company did comply with this order.

2. Institute and maintain procedures consistent with 50 Ill. Adm. Code 919.30(c) by maintaining detailed documentation in each claim file in order to permit reconstruction of the company's activities relative to each claim file. Specifically, the Companies will commit to maintaining the following documentation most commonly related to a claim in the claim file; the claim at issue, the Explanation of Benefits statement (EOB), the Provider Remittance Advice, any correspondence between the Companies, the insured and/or the provider related to the claim at issue, any medical records related to the claim determination, any other collateral information utilized to make the determination, and any appeal determination and supporting documentation.

   The Company did comply with this order.

3. Institute and maintain procedures consistent with 215 ILCS 5/154.5. These procedures will maintain documentation as to why a claim denial was reversed on appeal. This will include in the claim file any additional documentation provided by an insured which leads to reversal on appeal.

   The Company did comply with this order.

4. Institute and maintain procedures which comply with 215 ILCS 5/143. These procedures will ensure that all policy forms, riders or endorsements have been approved by the Director prior to issuance or delivery in Illinois. These procedures will also preclude the attachment of a policy rider or endorsement that unilaterally reduces benefits subsequent to the date the policy was issued.

   The Company did comply with this order.

5. Institute and maintain procedures which comply with 215 ILCS 5/132(2) and the Corrective Action Plan attached hereto as Exhibit A which will require the Companies' information management systems to provide comprehensive and reliable data on a timely and consistent basis as defined in the final market conduct examination report. Specifically, the Corrective Action Plan addresses the following data;
   - The date the Companies were notified of the claim (the "acknowledge date")
   - Correspondence related to that "acknowledgement date."
   - The date that the Companies received all information needed to adjust the claim (the "clean claim date.")
   - The date on which the Companies closed the claim (the "closed claim date.")

   The Company did comply with this order.

IV. SUMMARY OF FINDINGS

1. The Company was criticized under 215 ILCS 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

2. The Company was criticized under 50 Ill. Adm. Code 919.50(a) of the IAC for failure to deny claims within 30 days of due written proof of loss.

3. The Company was criticized under 215 ILCS 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss which resulted in interest due and owing for late payment.

V. BACKGROUND

Time Insurance Company was first organized in LaCrosse, Wisconsin in 1892 as the LaCrosse Mutual Aid Association. The Company then moved to Milwaukee in 1900 and by 1905 took the name Time Indemnity. On February 11, 1910, the company incorporated and changed its name to Time Insurance Company. Time Insurance Company commenced business on March 6, 1910.

In April of 1969, Time Holdings, Inc., was formed to become the parent company of Time Insurance Company. During January, 1978, control of Time Holdings, Inc. was acquired by N.V. AMEV, a Dutch financial services company located in Utrecht, The Netherlands. During 1994, N.V. AMEV became Fortis AMEV. Effective April 1, 1998, Time Insurance Company changed its name to Fortis Insurance Company. Fortis Insurance Company's direct parent is Interfinancial, Inc., which in turn, is controlled by Fortis, Inc., in New York, New York. The ultimate controlling entities are Fortis AG, located in Belgium, and Fortis AMEV. Effective January 1, 1999, Fortis AG was renamed Fortis (B) and Fortis AMEV was renamed Fortis (NL) N.V. On September 27, 2001, Fortis (B) was replaced by Fortis SA/NV, a Belgian company and Fortis (NL) N.V. was replaced by Fortis N.V., a Netherlands Company. The U.S. operations were known as Fortis, Inc., which was renamed Assurant, Inc. when it became a publicly traded company on the New York Stock Exchange through an Initial Public Offering (IPO) on February 5, 2004. Effective September 6, 2005, Fortis Insurance Company changed its name to Time Insurance Company.

John Alden Life Insurance Company ("JALIC") is a Wisconsin domiciled stock life and health insurance company. JALIC was originally incorporated under the laws of Illinois on January 10, 1961. The company name was changed to Gamble Alden Life Insurance Company in 1968. On December 31, 1973, the company effected a re-domestication from Illinois to Minnesota by merger with and into Gamble Alden Life Insurance Company of Minnesota ("GALIC Minnesota"). Concurrent with the 1973 merger, GALIC Minnesota changed its name to Gamble Alden Life Insurance Company. The name of the company was changed to John Alden Life Insurance Company effective March 31, 1979.

JALIC was acquired by Great Western Financial Corporation ("GWFC") in 1983. The holding company, John Alden Financial Corporation ("JAFCO"), was established in 1987 to acquire JALIC. In 1987, JAFCO purchased Houston National Life Insurance Company ("HNLIC"), a Texas domiciled insurer, and HNLIC subsequently purchased from GWFC 100% ownership interest of JALIC.

Effective August 31, 1998, JAFCO and all its subsidiaries were purchased by Interfinancial Inc., a subsidiary of Fortis, Inc. (n/k/a Assurant, Inc.). JALIC redomiciled from Minnesota to Wisconsin effective July 15, 2002. Effective July 1, 2003, the company executed a statutory merger through which its immediate parent, HNLIC, merged with and into JALIC.

The company's ultimate U.S. parent company, Fortis, Inc., established Assurant, Inc. and merged into Assurant, Inc. effective February 4, 2004. On February 5, 2004, an initial public offering of the common stock of Assurant, Inc. was transacted on the NYSE.

Montana Life Insurance Company was incorporated in 1910 under the laws of the State of Montana and operated as a Montana domiciled life insurance company from 1910 to 1962. The Company changed its name to Western Life Insurance Company on February 8, 1938. In 1962, the Company changed its state of domicile by establishing a Minnesota domiciled life insurance company and merging the Montana domiciled life insurance company into it. The Company then reincorporated pursuant to Minnesota statutes.

On December 31, 1984, Western Life was acquired by N.V. AMEV, a Dutch financial services company located in Utrecht, The Netherlands. During 1994, N.V. AMEV became Fortis AMEV. The Company changed its name, effective January 1, 1992, from Western Life Insurance Company to Fortis Benefits Insurance Company ("FBIC"). Effective September 8, 2005, the Company changed its name to Union Security Insurance Company. The Company redomesticated from Minnesota to Iowa, effective October, 2004, and from Iowa to Kansas, effective September 30, 2009.

The Company acquired the group operations of Mutual Benefit Life Insurance Company on October 1, 1991. It also acquired 99% ownership of Dental Health Alliance, L.L.C. on February 20, 1997, and the remaining 1% was assigned to Assurant, Inc. on December 31, 2006. The former Pierce National Life Insurance Company, a California corporation, merged into the Company effective July 1, 2001.

The long term care business was sold to Hartford Life Inc. effective April 1, 2001.

Union Security Insurance Company's direct parent is Interfinancial Inc. which in turn, is controlled by Assurant, Inc., in New York, New York. The U.S. operations were known as Fortis, Inc., which were renamed Assurant, Inc. when it became a publicly traded company on the New York Stock Exchange through an Initial Public Offering (IPO) on February 5, 2004.

VI. METHODOLOGY

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

1. Policy Forms
2. Claims
3. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, 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.

Policy Forms

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

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for 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 919 *et seq.*).

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 April 1, 2011 through July 2014.

Consumer and Insurance Department Complaints

The Company was requested to provide all files relating to complaints which had been received via the Department of Insurance as well as those received directly by the Company from the insured 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 of Insurance.

An emphasis was placed upon review of Appeals and the Company's handling pursuant to 215 ILCS 134/45 of the Managed Care Reform and Patient Rights Act.

The examination period for Department of Insurance complaints was April 1, 2011 through June 15, 2013.

SELECTION OF SAMPLE

Survey	Population	Reviewed	% Reviewed
CLAIMS ANALYSIS			
Small Group Paid – TIC	95496	109	< 1%
Small Group Paid – JALIC	62445	109	< 1%
Small Group Paid – USIC	6465	108	1.7%
Small Group Denied – TIC	7998	109	1.4%
Small Group Denied – JALIC	20389	109	< 1%
Small Group Denied –USIC	2177	107	4.9%
Paid Individual Health – TIC	297392	109	< 1%
Paid Individual Health – JALIC	9612	109	1.1%
Denied Individual Health – TIC	111359	109	< 1%
Denied Individual Health – JALIC	9612	109	1.1%
Paid Short Term – TIC	13563	109	< 1%
Paid Short Term – JALIC	3080	109	3.5%
Denied Short Term – TIC	11438	109	< 1%
Denied Short Term – JALIC	2698	105	3.9%
Student Health Paid – TIC	1256	107	8.5%
Student Health Denied – TIC	352	82	23.3%
HEALTH APPEALS/COMPLAINTS			
Health Appeals – TIC	115	115	100%
Health Appeals – JALIC	229	229	100%
Health Appeals – USIC	60	60	100%
Department Complaints – TIC	114	114	100%
Department Complaints – JALIC	22	22	100%
Department Complaints – USIC	0	0	N/A

VII. FINDINGS

A. Claims Analysis

1. Small Group Paid – TIC

   A review of 109 paid small group health claims produced three (3) criticisms. The criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

   The median for payment was 12 days.

2. Small Group Paid – JALIC

   A review of 109 paid small group health claims produced one (1) criticism. The criticism was written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

   The median for payment was 10 days.

3. Small Group Paid – USIC

   A review of 108 paid small group health claims produced two (2) criticisms. The criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

   The median for payment was 16 days.

4. Small Group Denied – TIC

   A review of 109 denied small group health claims produced five (5) criticisms. The criticisms were written under 50 Ill. Adm. Code 919.50(a) of the IAC for failure to deny claims within 30 days.

   The median for denial was 10 days.

5. Small Group Denied – JALIC

   A review of 109 denied small group health claims produced four (4) criticisms. The criticisms were written under 50 Ill. Adm. Code 919.50(a) of the IAC for failure to deny claims within 30 days.

   The median for denial was six (6) days.

6. Small Group Denied – USIC

   A review of 107 denied small group health claims produced no exceptions.

   The median for denial was four (4) days.

7. Paid Individual Health – TIC

   A review of 109 paid individual health claims produced two (2) criticisms. The criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

   The median for payment was 13 days.

8. Paid Individual Health – JALIC

   A review of 109 paid individual health claims produced no exceptions.

   The median for payment was 10 days.

9. Denied Individual Health – TIC

   A review of 109 denied individual health claims produced three (3) criticisms. The criticisms were written under Section 919.50(a) of the IAC for failure to deny claims within 30 days.

   The median for denial was three (3) days.

10. Denied Individual Health – JALIC

    A review of 109 denied individual health claims produced no exceptions.

    The median for denial was seven (7) days.

11. Paid Short Term – TIC

    A review of 109 paid short term health claims produced five (5) criticisms. Four (4) criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss. One (1) criticism was written under the same section and interest resulted due to late payment in the amount of $20.83 for an Illinois insured.

    The median for payment was ten (10) days.

12. Paid Short Term – JALIC

A review of 109 paid short term health claims produced five (5) criticisms. Four (4) criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss. One (1) criticism was written under the same section and interest resulted due to late payment in the amount of $5.87 for an Illinois insured.

The median for payment was eleven (11) days.

13. Denied Short Term – TIC

A review of 109 denied short term health claims produced three (3) criticisms. The criticisms were written under 50 Ill. Adm. Code 919.50(a) of the IAC for failure to deny claims within 30 days.

The median for denial was six (6) days.

14. Denied Short Term – JALIC

A review of 105 denied short term health claims produced no exceptions.

The median for denial was nine (9) days.

15. Student Health Paid – TIC

A review of 107 paid student health claims produced three (3) criticisms. The criticisms were written under Section 5/368a(c) of the IIC for failure to pay claims within 30 days after receipt of due written proof of loss.

The median for payment was 16 days.

16. Student Health Denied – TIC

A review of 82 denied student health claims produced one (1) criticism. The criticism was written under Section 919.50(a) of the IAC for failure to deny claims within 30 days.

The median for denial was three (3) days.

B. Consumer Appeals

A review of 404 appeals for TIC, JALIC and USIC health underwriting declinations produced no exceptions.

C. Administrative Appeals

A review of 142 appeals for TIC and JALIC health underwriting declinations produced no exceptions.

D. Department of Insurance Complaints

1. Time Insurance Company

A review of 114 Department of Insurance complaint files produced no exceptions.

The median for response to the Department of Insurance was 17 days.

2. John Alden Life Insurance Company

A review of 22 Department of Insurance complaint files produced no exceptions.

The median for response to the Department of Insurance was 17 days.

3. Union Security Insurance Company

None were health related. All were outside the scope of this exam.

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

David Bradbury, being first duly sworn upon his/~~her~~ oath, deposes and says:

That he 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 Assurant Health – Time Insurance Company(NAIC #69477), John Alden Life Insurance Company (NAIC #65080), Union Security Insurance Company (NAIC #70408), collectively (the "Companies").

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 Companies 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 Companies business and affairs and the manner in which the Companies conduct 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 Companies nor any of the Companies 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 Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he 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 Companies 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 Companies.

Examiner-In-Charge

Subscribed and sworn to before me this 23rd day of APRIL, 2015

Notary Public
LYNNE L. ROBERTS

LYNNE L ROBERTS NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES 10-01-16