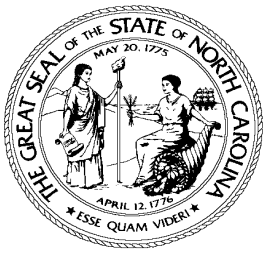

Report on

Market Conduct Examination

of

United Insurance Company of America

Chicago, Illinois

by Representatives of the

North Carolina Department of Insurance

as of

May 23, 2014

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Raleigh, North Carolina
May 23, 2014

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Andrew Boron
Director of Insurance
Illinois Department of Insurance
320 W. Washington Street
Springfield, Illinois 62767-0001

Honorable Commissioner and Honorable Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a compliance examination has been made of the market conduct activities of

United Insurance Company of America
(NAIC # 69930)
NAIC Exam Tracking System Exam Number: NC094-M52
Chicago, Illinois

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of United Insurance Company of America. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that revealed no concerns were omitted.

SCOPE OF EXAMINATION

This compliance examination commenced on December 3, 2012, and covered the period of January 1, 2009, through December 31, 2010, with analyses of certain operations of the Company being conducted through April 28, 2014. This action was taken due to previous examination findings referenced in the Market Conduct Report of November 3, 2008.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of policyholder treatment, claims practices, and policy rescissions.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints and 7 percent for claims practices.

Previous Examination Findings

A target examination covering the period January 1, 2006, through December 31, 2006, was performed on the Company and a report dated November 3, 2008, was issued. The target examination report identified concerns in the areas of policyholder treatment, claims practices, and policy rescissions. Specific previous violations relating to these areas are listed within the appropriate sections of the report.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following areas:

Policyholder Treatment - Consumer Complaints: Failure to respond to Department inquiries within seven calendar days.

Claims Practices – Individual Cancer Claims Paid and Individual Cancer Claims Denied: Failure to pay, deny or send notices of investigation of claims and/or send status reports when the processing of claims was delayed. Individual Cancer Claims Denied: Incomplete file documentation. Individual Accident and Health Claims Denied: Failure to send an Explanation of Benefits (EOB).

Policy Rescissions – Individual Life Rescissions: Failure to send status reports when processing of claims was delayed.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web Site www.ncdoi.com, by clicking “INSURANCE DIVISIONS” then “Legislative Services”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company’s practices and provide consumer protection.

POLICYHOLDER TREATMENT

Consumer Complaints

The Company’s complaint handling procedures were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of 11 NCAC 1.0602 as 10.0 percent of the complaints were not responded to within seven calendar days.

Fifty complaint files from a population of 68 were randomly selected for review. **The current examination revealed the following:**

A chart of the consumer complaints by type follows:

Type	2009	2010
Administrative Related	13	9
Claim Related	20	8
Total	**33**	**17**

One complaint file (2.0 percent error ratio) was not responded to within seven calendar days and an extension was not requested in a timely manner. The Company was again deemed to be in violation of the provisions of 11 NCAC 1.0602.

Three complaint files did not contain evidence of an interest payment on the delayed life claim settlement. The Company issued interest payments in the amount of $238.99 to three beneficiaries on January 23, 2013. The Company advised that the error was due to a system issue. The Department requested the Company to perform a self audit to determine other policies that may be affected. The Company found 23 additional policies that did not have interest properly paid. The Company sent checks in the amount of $889.25 to the beneficiaries on February 11, 2013.

The average service time to respond to a Departmental complaint was six calendar days. Eight complaints were not responded to within seven calendar days; however, extensions were requested by the Company and granted by the Department. A chart of the response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	41	82.0
8 - 14	5	10.0
15 - 21	4	8.0
Total	**50**	**100.0**

CLAIMS PRACTICES

Individual Accident and Health Claims Paid

The Company's claims practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) as 32.0 percent of the claims were not paid within 30 days and the Company failed to acknowledge the claims.
- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5) as 14.0 percent of the claims were not paid within 45 days and the Company failed to send status reports to the insureds.

One hundred claim files from a population of 6,324 were randomly selected for review.

The current examination revealed the following:

One claim file did not contain evidence that the correct benefit was paid to the insured. The Company reopened the claim and paid additional benefits including interest in the amount of $824.68 to the insured on March 12, 2013.

During the review of individual accident and health claims paid files, the Department noted that the Company did not provide a remark code on the EOB detailing that the maximum policy benefit had been paid for the submitted claims. The Company has agreed to include a remark code advising consumers that the maximum benefit has been paid under the policy's schedule of benefits on the EOB going forward, beginning March 7, 2014**.**

The average service time to process and pay a claim was 13 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	18	18.0
8 – 14	61	61.0
15 – 21	14	14.0
22 – 30	3	3.0
31 – 60	2	2.0
Over 60	2	2.0
Total	**100**	**100.0**

Individual Accident and Health Claims Denied

The Company's claims practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) as 23.4 percent of the claim files were not processed within 30 days and the Company failed to acknowledge receipt of the claims.
- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5) as 34.0 percent of the claim files were not processed within 45 days and the Company failed to acknowledge receipt of the claim or send timely status reports to the insureds.

One hundred claim files from a population of 7,477 were randomly selected for review.

The current examination revealed the following:

Twenty-three claim files (23.0 percent error ratio) did not contain evidence that an EOB was sent to the insured. The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(n).

The average service time to process a claim denial was 11 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	29	29.0
8 - 14	52	52.0
15 - 21	11	11.0
22 - 30	7	7.0
Over 60	1	1.0
Total	**100**	**100.0**

Individual Cancer Claims Paid

The Company's claim practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) as 11.1 percent of the claims were not processed within 30 days and the files did not contain evidence that the Company acknowledged receipt of the claims.

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5) as 25.9 percent of the claim files were not processed within 45 days and the Company failed to acknowledge receipt of the claim or send status reports to the insureds.

Fifty claims files from a population of 65 were randomly selected for review. **The current examination revealed the following:**

Twenty-two claims (44.0 percent error ratio) were not paid or denied, or a notice of investigation was not provided to the insured within 30 days. The Company was again deemed to be in violation of the provisions of NCGS 58-3-100(c).

Seventeen claim files (34.0 percent error ratio) did not contain documentation that status reports were sent every 45 days until the claim was settled. The Company was again deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5).

During the review of individual cancer claims paid files, the Department noted that the Company did not provide a remark code on the EOB detailing that the maximum policy benefit had been paid for the submitted claims. The Company has agreed to include a remark code advising consumers that the maximum benefit has been paid under the policy's schedule of benefits on the EOB going forward, beginning March 7, 2014**.**

The average service time to process a claim denial was 59 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	3	6.0
8 – 14	10	20.0
15 – 21	4	8.0
22 – 30	6	12.0
31 – 60	8	16.0
Over 60	19	38.0
Total	**50**	**100.0**

Individual Cancer Claims Denied

The Company's claims practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5) as 100 percent of the claims were not paid within 45 days and the Company failed to send status reports to the insureds.
- The Company was deemed to be in violation of the provisions of NCGS 58-63-15 as 100 percent of the claims contained an EOB that did not reference the denied line items of the claims.

Fifty claim files from a population of 244 were randomly selected for review. **The current examination revealed the following:**

Four claims (8.0 percent error ratio) were not paid or denied, or a notice of investigation was not provided to the insured within 30 days. The Company was again deemed to be in violation of the provisions of NCGS 58-3-100(c).

Four claim files (8.0 percent error ratio) did not contain documentation that claim status reports were sent to the insured every 45 days until the claim was settled. The Company was again deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319 (5).

The Company was deemed to be in violation of the provisions of 11 NCAC 19.0102(2), 19.0105, and 19.0106(b)(5) as:

- Ten claim files (20.0 percent error ratio) did not contain an EOB or denial letter in the file.
- Four claim files (10.0 percent error ratio) did not contain a claim form in the file.

One claim file had benefits incorrectly denied. The Company reopened the claim and paid additional benefits including interest in the amount of $11,326.60 to the beneficiary on March 6, 2013.

The average service time to process and deny a claim was 21 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 – 7	10	20.0
8 – 14	27	54.0
15 – 21	5	10.0
22 – 30	2	4.0
31 – 60	3	6.0
Over 60	3	6.0
Total	**50**	**100.0**

POLICY RESCISSIONS

Individual Life Rescissions

As a result of the Department's market surveillance activities, all rescission files from a population of 29 were reviewed for accuracy, adherence to Company guidelines, and compliance with North Carolina statutes and rules.

Four claim files (13.8 percent error ratio) did not contain documentation that claim status reports were sent to the insured every 45 days until the claim was settled. The Company was deemed to be in violation of the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5).

The average time to investigate and rescind (or modify) a policy was 153 calendar days. The calculations used by the Department began with the claim receipt date as opposed to the actual start date of the investigation. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
31 - 60	1	3.4
Over 60	28	96.6
Total	**29**	**100.0**

CONCLUSION

A compliance examination has been conducted on the market conduct affairs of United Insurance Company of America for the period of January 1, 2009, through December 31, 2010, with analyses of certain operations of the company being conducted through April 28, 2014.

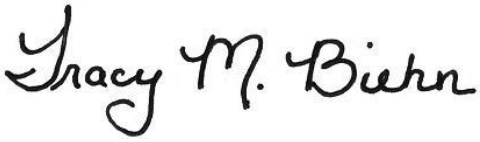
This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of policyholder treatment, claims practices, and policy rescissions.

In addition to the undersigned, Marion Flemmings, HIA, HIPAAP, HCSA and Brian Dearden, CLU, ChFC, FLMI, ALHC, ACS, AIRC, AIAA, RHU, REBC, North Carolina Market Conduct Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

Kim D. King, HIA, MHP, PAHM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy Miller Biehn, LPCS, MBA
Deputy Commissioner
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State of North Carolina