

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF)
National Union Fire Insurance) Order
Company of Pittsburgh, Pa. ,) Regarding Examination
NAIC No. 19445)
) Docket No. 91146

Comes now the Iowa Insurance Division ("Division") and states:

I. PARTIES AND JURISDICTION

1. The Commissioner of Insurance, Nick Gerhart, (the Commissioner) administers and has authority over all insurance business in Iowa. Iowa Code chapter 505, *et seq.*,
2. National Union Fire Insurance Company of Pittsburgh, Pa. ("NUFIC"), American Home Assurance Company, Chartis Casualty Company [k/n/a AIG Assurance Company], Chartis Property Casualty Company [k/n/a AIG Property Casualty Company], Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., New Hampshire Insurance Company, and The Insurance Company of the State of Pennsylvania are all insurers licensed to do business in Iowa (collectively, the "Insurance Companies"). NUFIC was examined through a multistate examination coordinated through the National Association of Insurance Commissioners (the "Multistate Exam"). The remaining Insurance Companies were later added to the Multistate Exam.

3. The Commissioner may authorize the Division to act as a lead state and managing lead state in multistate examinations. Pursuant to this authority, the Division acted as the lead state and managing lead state in the Multistate Exam.
4. Following the Multistate Exam, Chartis, Inc. (n/k/a AIG Property Casualty, Inc.) on behalf of itself and the Insurance Companies and its wholly owned non-insurance company subsidiaries (solely to the extent they serviced Accident and Health Insurance business within the scope of the RSA) (collectively, the "Company") entered into a Regulatory Settlement Agreement (the RSA) that became effective on November 29, 2012 (the "Effective Date"). All U.S. jurisdictions except Alaska participated in the RSA. The terms of the RSA provide, among other things, that the Company is potentially subject to civil penalties if it does not comply with the terms of the RSA. This includes Additional Administrative Penalties for failure to meet certain requirements of the RSA.
5. Prior to the Effective Date, the State of Ohio was in the role of managing lead state and Iowa, Minnesota, New Jersey and Pennsylvania were in the role of Lead States. Subsequent to the Effective Date, and with the consent of the other four states and NUFIC, the Division assumed the role of managing lead state.
6. Following execution of the RSA, and pursuant to its role as managing lead state, the Division supervised a follow up market conduct examination of the Company (the Follow Up Exam). The purpose of the Follow Up Exam was to evaluate the Company's multistate business practices and to ensure the Company's compliance with the terms and conditions of the RSA and with applicable law. The Follow Up Exam was conducted by representatives of the Division. It commenced on January 9, 2015 and concluded on February 22, 2016.
7. The Follow Up Exam was conducted under the Commissioner's general powers and Iowa Code chapter 507. The draft report of the Follow Up Exam was circulated to the Lead States and was received without objection from the Lead States.

8. Having conducted and completed the Follow Up Exam, the Division, as managing lead state, now has authority to make the findings of fact and law herein, conclude the Follow Up Exam, and issue this order.

II. FINDINGS OF FACT

1. The Company cooperated in the Follow Up Examination by responding to inquiries, providing documentary evidence and other materials, and providing access to facts relating to its business practices.
2. The results of the Follow Up Exam are recorded in an exam report which is attached to this Order as Exhibit 'A' (the Exam Report). The Exam Report includes findings in the areas of product development and rate filing, actuarial procedures, marketing of non-insurance services, producer licensing, licensing of claims processing entities or personnel, claims processing, vendor oversight, policy issuance to groups and associations, use of trusts, record retention, training of personnel, handling of consumer complaints, direct marketing policy fulfillment protocols, direct marketing telemarketing protocols, direct marketing customer service, and direct marketing information technology protocols.

III. Conclusions of Law

1. No noncompliance with the RSA was found in the Follow Up Exam.
2. Any errors noted during the Follow Up Exam were within the acceptable range of the NAIC Market Regulation Handbook and the Exam Report does not identify

any violations of applicable law.

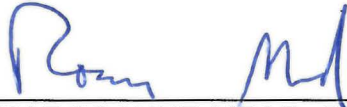
IT IS THEREFORE ORDERED as follows:

- A. The Exam Report is adopted and final.

- B. The Company has complied with the terms of the RSA and no Additional Administrative Penalty or other fine or civil penalties shall be due.

Dated this 23 day of ^{MAY} April 2016

NICK GERHART
Commissioner of Insurance



BY ROSANNE MEAD, Securities Administrator &
Assistant Insurance Commissioner

CONSENT TO ORDER

I, Steven R Harris, by authority of and on behalf of Chartis, Inc., [k/n/a AIG Property Casualty Inc.] National Union Fire Insurance Company of Pittsburgh, Pa., American Home Assurance Company, Chartis Casualty Company [k/n/a AIG Assurance Company], Chartis Property Casualty Company [k/n/a AIG Property Casualty Company], Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., New Hampshire Insurance Company, and The Insurance Company of the State of Pennsylvania hereby consent to the Order hereof and waive the right to a hearing in this matter, without admission as to the truth or falsity of the allegations made by the Iowa Insurance Division. I understand that in waiving the right to a hearing, I am waiving on behalf of National Union Fire Insurance Company of Pittsburgh, Pa., American Home Assurance Company, Chartis Casualty Company [k/n/a AIG Assurance Company], Chartis Property Casualty Company [k/n/a AIG Property Casualty Company], Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., New Hampshire Insurance Company, and The Insurance Company of the State of Pennsylvania the right of confrontation and cross examination of witnesses, production of evidence and of judicial review. I also understand that this Order is considered a final administrative action that shall be reported by the Division to the National Association of

///

Insurance Commissioners. I also understand that, pursuant to Iowa Code section 505.8, the Commissioner may share this information with other regulatory authorities or governmental agencies.

AGREED AND ACCEPTED:

By Steven R. Harris

Title Vice President

Signature 

Date 5-10-16

NOTICE OF RIGHT TO REQUEST HEARING

NOTICE IS HEREBY GIVEN that Respondent may request a hearing in this matter. This request must be in writing and must be filed within 30 calendar days of the date of this Order, with Rosanne Mead, Iowa Insurance Division, 601 Locust, Fourth Floor, Des Moines, Iowa 50309. A notice of the hearing shall be prepared and shall be given at least 15 days before the date of the hearing unless the parties agree to an earlier date. The hearing shall be held within 90 days after the date of the notice of the hearing unless extended by the presiding officer for good cause with at least 15 days' notice to the parties. The resulting hearing will be held in accordance with Iowa Code Chapter 17A (2015).

NOTICE REGARDING FAILURE TO REQUEST A HEARING

If you fail to request a hearing within 30 days of the date of this Cease and Desist Order, the Order shall be a final Order of the Commissioner of Insurance and shall be enforceable by the Commissioner of Insurance in an administrative or court proceeding.

NOTICE REGARDING EXHAUSTION OF ADMINISTRATIVE REMEDIES AND RIGHT TO SEEK JUDICIAL REVIEW

The failure to request a hearing can constitute a failure to exhaust your administrative remedies and limit the issues subject to judicial review. You may seek judicial review of this Order, pursuant to Iowa Code chapter 17A, after the Order becomes final. The Order becomes final 30 days after it is issued if you do not timely request a contested case hearing, or 30 days following any ruling from a contested case hearing.

Exhibit "A"

Office of Commissioner of Insurance

State of Iowa

**Regulatory Settlement Agreement
Follow-up Examination of**

**AIG Property Casualty, Inc. (19402),
Chartis Inc., and
National Union Fire Insurance Company of Pittsburgh,
PA (19445)**

As of March 15, 2016

TABLE OF CONTENTS

SALUTATION.....	7
COMPANY OPERATIONS	2
PURPOSE AND SCOPE OF EXAMINATION.....	2
EXAMINATION SUMMARY	3
EXAMINATION RESULTS	4
ACKNOWLEDGEMENT	14

March 15, 2016

Honorable Nick Gerhart
Commissioner of Insurance
Iowa Insurance Division
601 Locust Street – Two Ruan Building
Des Moines, Iowa 50309-3738

Dear Commissioner Gerhart:

Pursuant to your authority delegated under the provisions of Iowa Code chapter 507 and in accordance with the directives of the Regulatory Settlement Agreement, a follow-up examination of selected business practices and affairs has been conducted on the companies party to the multistate examination regulatory settlement entered into on November 29, 2012 and including:

**AIG Property Casualty, Inc., Chartis Inc., and National Union Fire Insurance
Company of Pittsburgh, PA**

hereinafter referred to as the "Company." The report of examination is herewith respectfully submitted.

COMPANY OPERATIONS

National Union Fire Insurance Company of Pittsburgh, PA (NUFIC) is a member company of AIG Property Casualty U.S., Inc., which is a member of AIG Property Casualty, Inc., formerly Chartis, Inc. NUFIC and the following eight affiliates were listed in the Regulatory Settlement Agreement (RSA) and subject to its demands: American Home Assurance Company (NAIC Company Code 19380); Chartis Casualty Company (f/k/a American International South Insurance Company) (NAIC Company Code 40258); Chartis Property Casualty Company (f/k/a AIG Casualty Company, f/k/a Birmingham Fire Insurance Company of Pennsylvania) (NAIC Company Code 19402); Commerce and Industry Insurance Company (NAIC Company Code 19410); Granite State Insurance Company (NAIC Company Code 23809); Illinois National Insurance Co. (NAIC Company Code 23817); New Hampshire Insurance Company (NAIC Company Code 23841); and, the Insurance Company of the State of Pennsylvania (NAIC Company Code 19429). These entities are included in the RSA to the extent that they service accident and health insurance policies against loss or expense resulting from the sickness of the insured, or from the bodily injury or death of the insured by accident, or both.

The Company, with its subsidiaries, offers general, excess and specialty insurance casualty solutions throughout the United States.

PURPOSE AND SCOPE OF EXAMINATION

The Company entered into a Regulatory Settlement Agreement, effective November 29, 2012, with the Departments of Insurance of Iowa, Ohio, Minnesota, New Jersey, and Pennsylvania as Lead States and the Departments of Insurance of other Signatory States. The RSA covers a monitoring period of just over two years, ending on December 31, 2014, and requires a Follow-up Examination (Exam) of the sixteen "issues addressed by the RSA and will review policies with an effective date, or the Company's activities occurring on or after January 1, 2014" through the end of the examination field work. The goal of the Exam is to confirm that the policies and procedures that were created and implemented as a result of the RSA have been maintained and are functioning consistently.

This market conduct examination of the Company was conducted by representatives of the Iowa Insurance Division (Department or Division) under the authority delegated to

them by the Commissioner pursuant to chapters 507 and Section E.10 of the RSA. The examination commenced on January 9, 2015 and concluded on February 22, 2016.

The examination included a review of the following items which are further addressed in the Examination Results below:

No.	Section Heading
1	Product Development, Rate Filing, Form Filing, and Marketing
2	Actuarial Procedures and Premium Allocation
3	Marketing of Non-Insurance Services
4	Producer Licensing
5	Licensing of Claims Processing Entities and Personnel
6	Claims Processing
7	Vendor Oversight
8	Policy Issuance to Group and Associations
9	Use of Trusts
10	Record Retention
11	Training of Personnel
12	Handling of Consumer Complaints
13	Direct Marketing – Policy Fulfillment Protocol
14	Direct Marketing – Telemarketing Protocol
15	Direct Marketing – Customer Service
16	Direct Marketing – Information Technology Protocol

This examination was conducted within the provisions established in the RSA and State Codes and Regulations, as well as procedures and guidelines in the 2011 Market Regulation Handbook (Handbook) as adopted by the National Association of Insurance Commissioners.

EXAMINATION SUMMARY

Upon review of the operations, procedures, and newly implemented processes, the Company continues to make noticeable progress in addressing issues noted in the RSA. This can be seen in continuing advancements made in trusts, training, claims

adjudicator licensing, producer licensing, vendor oversight, and in tracking / accounting for sales, among others.

EXAMINATION RESULTS

1. **Product Development and Rate Filing:** Based on the database of 417 filings provided by the Company, a sample of 85 filings was requested and received from the Company; and 28 vendor contracts sampled and requested were reviewed for the necessary advertising verbiage. The files and contracts were reviewed to determine compliance with Standards 2, 5 and 6 on Underwriting and Rating and Standard 1 on Marketing and Sales in the Handbook. These Standards address mandated disclosures being in compliance and documented and that all forms being filed with insurance departments be accurate and complete. In addition, Standard 1 requires advertising and sales materials to be in compliance with applicable statutes, rules and regulations.
 - a. **Design Standards:** Company procedures on policy design were reviewed and checked for compliance with state rules and regulations on filed forms. **Examination testing indicated that 6 of 85 sampled filings had no meaningful benefits that were not bracketed: three Cosmetic Surgery Benefit Forms, one Individual Accident Form, one Accident and Sickness Form, and one Application for a Blanket Accident Policy. The Handbook provides a general benchmark to allow up to a 10% error rate for practices not related to claims. Under this benchmark, the current error rate is acceptable.**
 - b. **Product Review Committee:** Product Review Committee minutes were reviewed to ensure the development of forms and associated rates are being scrutinized. **No issues were noted.**
 - c. **Rate and Form Filing Protocols:** The Company procedures were reviewed to ensure that current information concerning Accident and Health Insurance Rate Filing and Form Filing requirements were being maintained. **No issues were noted.**
 - d. **Rate and Form Filing Cover Letter/Rate Memo:** Form filings were sampled and reviewed to ensure that the cover letter includes a detailed explanation of the submission's contents, an explanation of how the Company intends to market the products contained in the submission and a list of all expected configurations of Endorsements.

The marketing explanation and expected configurations required in the cover memo was missing in 7 of the 85 policies sampled: six Out of Country Medical Expense Benefit Riders and one Blanket College Accident and Sickness policy. This error rate is acceptable under the 10% benchmark for practices not related to claims.

- e. Marketing Vendor/Producer Contracts: Company contracts with vendors and producers were reviewed to confirm that marketing materials were aligned with Company standards.

There were 2 contracts, of the 28 contracts reviewed, that did not contain language on marketing arrangements. This error rate is acceptable under the 10% benchmark for practices not related to claims.

- f. Marketing Blanket Policies to Groups/Associations: Company policy files were reviewed to determine if Blanket Policies are being used to market voluntary benefits to individual insureds within a Group or Association. **No issues were noted.**

- 2. Actuarial Procedures: Based on the database of 417 filings provided by the Company, a sample of 85 Filings was requested, received and reviewed to determine compliance with Standards 1 and 2 on Underwriting and Rating in the Handbook. These Standards require that rates charged are in accordance with filed rates and the Company's rating plan, and, that mandated disclosures are in accordance with applicable statutes, rules and regulations. For the purposes of this analysis, a minimum loss ratio of 50% was used as a benchmark to confirm that rates charged were reasonable, not excessive, inadequate or unfairly discriminatory. The Company provided copies of four Experience Studies as part of this testing.

In addition, the Company's state premium tax returns, premium allocation and methodologies were reviewed to determine if the Company's guidelines were consistent with state laws on allocation. A sample of 44 policies was selected from the list of policies that were used to prepare the State Premium Tax Returns for 2014. The following six sub-sections were addressed during the examination:

- a. Procedures: The Company's actuarial plans and procedures were reviewed. **No issues were noted.**
- b. Required Actuarial Opinion/Certification: Company filings were reviewed to ensure that required actuarial opinion/certification was included to attest that the

proposed rates are reasonable, not excessive, inadequate or unfairly discriminatory. **No issues were noted.**

- c. Loss Ratio and Filings: Company filings were reviewed to ensure that the loss ratio designed is in compliance with each states requirement and at least 50% to ensure that premiums are not excessive or unreasonable in relation to benefits provided. **No issues were noted.**
- d. Four Experience Studies: Experience Studies, that monitor loss ratios for relevant accident and health forms, were reviewed. **No issues were noted.**
- e. Loss Ratios by State: Each Experience Study was reviewed to see if state required minimum loss ratio has been met and that the aggregate loss ratio for states without a specified loss ratio is at least 50%.

There were 3 Experience Studies that had a total of 3 product lines where loss ratios were noted that did not meet a loss ratio standard of 50% or loss ratio standards required for a particular state and where the Company did not take corrective action. The product lines are as follows:

For Work Employer Sponsored Products and Specialty Markets Blanket Accident, the Company agrees that the specified loss ratio for some states was not met but they feel that they are reasonably close or that the experience was not credible. The Leisure Travel segment produced a loss ratio of 43%. The Company feels no adjustment is needed as they feel the A&H portion can be seen as having a higher loss ratio of 66% if certain assumptions are made to divide the premium between the non-A&H and the A&H portion of the product.

We agree that loss ratio minimums are difficult to achieve with certainty and this is particularly true with small blocks that lack credibility. The Company must demonstrate that results are reasonable or take corrective action. Based upon support provided by the Company to demonstrate that results are not unreasonable for less credible blocks, no further issue is noted.

- f. Premium Allocation Guidelines: The Company's premium allocation guidelines were reviewed for compliance with state premium tax laws.

The Company has made a substantial effort to establish premium allocation guidelines and oversight of the premium tax function. Premium tax laws vary

from state to state, but generally require premium to be allocated based upon the location of the risk. Given the limitations of policy administration systems and the nature of group policies, strict compliance can be difficult. Given the Company's progress in this area, no further issue is noted.

3. **Marketing of Non-Insurance Services:** A random sample of 98 advertising pieces was drawn from the database of 768 advertising pieces provided by the Company. The sampled advertising materials, telephone scripts, and the Company's revised "Marketing of Non-Insurance Protocols" were requested, received and reviewed to determine compliance with Standards 1 and 3 on Marketing and Sales in the Handbook. These Standards require that communications to producers and all sales material are in compliance with applicable statutes, rules and regulations. **No issues were noted.**
4. **Producer Licensing:** The Company provided a copy of the "Producer Licensing Requirements" & "Unlicensed Unappointed Producers Protocol." Also, 116 policies were sampled and reviewed to confirm adherence to Standards 1 and 2 on Producer Licensing in the Handbook. These Standards test that producers are properly licensed and appointed, and, are consistent with insurance department records.
 - a. **Producer Licensing Requirements:** Confirmed that licensing and appointment requirements were distributed to producers, vendors and appropriate Company employees. **No issues were noted.**
 - b. **Producer Protocol Implementation:** Determine if producers are licensed and appointed.

For sales of 7 of 116 A&H policies sampled, the Company was not able to provide sufficient information to validate that the appropriately appointed agents / producers were used at the point of sale. This error rate is acceptable under the 10% benchmark for practices not related to claims but could indicate a compliance issue.

5. **Licensing of Claims Processing Entities or Personnel:** A random sample of 218 claims files, selected from eight strata, was submitted to the Company. The Company provided copies of 217 of the 218 files requested and was not able to locate the remaining claim. Of the 217 files received, 113 claims files were located in a state that did not require A&H claims adjudicator licensing, 31 files were not reviewed, and the remaining 73 files were reviewed to confirm compliance with Standard 6 on Claims in the Handbook. This Standard tests if claims are being

handled in accordance with policy provisions and applicable statutes, rules and regulations. Company files were reviewed to determine if claims are being adjudicated by licensed personnel where licensing is required.

Evidence of the proper claims adjudicator licensing could not be found in 7 of the 73 files reviewed. This error rate is acceptable under the 10% benchmark for practices not related to claims.

6. **Claims Processing**: A sample of 126 files was reviewed per the Handbook to ensure compliance with Standards 3, 5, 6 on Claims in the Handbook. These standards address timeliness of claims resolution, documentation of claims, and proper handling of claims.
 - a. **Claims Processing Guidelines**: Plans and procedures in place for claims processing were reviewed. The Company has appropriate plans and procedures in place. **No issues were noted.**
 - b. **Communication of Guidelines**: Confirm that guidelines were communicated to Company personnel and vendors responsible for claims handling. **No issues were noted.**
 - c. **Promptly & Accurately Processing Claims**: Claims files were sampled and reviewed for prompt and accurate processing.

8 of the 126 sampled claims files reviewed had noted issues/concerns with promptness or accuracy. This error rate is acceptable under the 7% benchmark for practices related to claims.

7. **Vendor Oversight**: The Company provided a copy of the most recent "Vendor Oversight Plan/Protocols" and a copy of the Vendor Database listing all active vendors. A random sample of 28 Vendor contracts/files was requested, received and reviewed to determine compliance with Standard 6 on Operations and Management in the Market Regulation Handbook. This Standard tests to see that the Company is adequately monitoring the activities of any entity that assume a business function for them.
 - a. **Vendor Oversight Protocol**: The protocol was reviewed to determine if the Company has a plan in place to ensure Vendors comply with applicable laws and regulations. **No issues noted, plan is in place.**

b. Vendor Contract Review: Contracts were reviewed to confirm that the Company provided language in their contracts to ensure compliance with state laws and regulations and those contracts were executed.

1 of the 28 contracts under review was lacking the Audit Protocols and Licensure language as required by the Company directives. This error rate is acceptable under the 10% benchmark for practices not related to claims.

c. Vendor Tracking System: Confirm that the Company has a system to track its Vendors. **No issues were noted and appropriate system is in place.**

8. Policy Issuance to Groups and Associations: Two unique data sets were received from the Company (Active and Legal Review). To ensure a mix from both groups 154 policies were sampled and reviewed for consistent application of the Protocols and Underwriting Directives (UWD) established by the Company and to ensure compliance with Standards 2, 4, and 8 on Underwriting and Rating in the Handbook. These Standards address mandated disclosures, cancellations, nonrenewals, and discriminatory plans. New policies issued to groups and associations were reviewed for eligibility and to see if the Company's due diligence standards were applied.

a. New & Renewal Policies: **There were 3 policies that did not contain the required Eligibility Review Form (ERFs) or Group / Association Submission Forms. This error rate is acceptable under the 10% benchmark for practices not related to claims.**

b. Groups/Associations Determined Ineligible: Policy files were reviewed to determine if there were any in force policies that are ineligible for a Group Policy or a Blanket Policy. **No issues were noted.**

9. Use of Trusts: The Company provided a copy of the "Policy Issuance to Trusts Protocols" (Plan) and a list of all policies associated with Trusts established by the Company. A sample of 92 trust related policies were requested, received, and reviewed to ensure compliance with Standards 4, 6 and 8 on Underwriting and Rating in the Handbook. These Standards address accurate and timely renewals, cancellations and nonrenewals, and discriminatory plans.

- a. Renewals to Trusts: Confirm that policy renewals, that were originally issued to the trust utilized for A&H Insurance business, were properly handled. **No issues were noted.**
 - b. Global Policies: Confirm that policies issued to the trust the Company utilized for its Global and Expatriate business were properly handled. **No issues were noted.**
 - c. Closed Trusts: Ensure that the Company moved all business out of any closed Trusts. **All business was moved. No issues were noted.**
 - d. Administration Plan: Reviewed the plan the Company developed to enhance its administration and use of Trusts. **Plan was developed. No issues were noted.**
10. **Record Retention**: A random sample of 28 vendor contracts/files was requested, received and reviewed for compliance with Standard 6 and Standard 7 on Operations and Management in the Handbook. These Standards test to see that the Company is adequately monitoring the activities of any entity that assumes a business function for them specifically regarding records retention and the necessity to comply with record retention requirements. Vendor contracts were reviewed to determine if they address record retention requirements and that the requirements are being adhered to.

12 of the 20 contracts reviewed had records retention requirements that were less than required by Company Policy. Specifically, the Record Retention Policy required complaint files to be retained for 11 years, while the Vendor Contracts only required a 7 year retention period. While this inconsistency should be corrected, a 7 year retention period was considered to be reasonable for complaint files.

It was also noted that the labeling of boxes being sent to Iron Mountain for retention did not include destruction dates.

11. **Training of Personnel**: The Company was requested to provide a list of the training performed to date along with the completion reports for the unique training modules. The training sessions and logs were reviewed to determine compliance with Standard 2 of Producer Licensing in the Handbook. This Standard addresses continuing education of personnel. Records were reviewed to ensure proper training of personnel was performed.

The Company is neither performing training for TPA claims adjudicators nor producers. The Company does not believe they are responsible for training these two groups as the Company contends that the TPA should train their own employees and the majority of producers are independent.

12. **Handling of Consumer Complaints:** The Company provided a copy of the Complaint Log (Log), for the 11 months ending November 30, 2014. A sample of 50 complaints were requested, received, and reviewed to determine compliance with Standards 2, 3 and 4 of Complaint Handling in the Handbook. These Standards test that proper procedures are in place, disposition of complaints comply with relevant laws, and timely responses are made to complaints. A check was made to see if the Company developed an improvement plan to enhance the processing of all consumer complaints received. Also, complaints made by policyholders or certificate holders were reviewed for prompt investigation and timely processing.

An improvement plan was developed. The Company goals for complaint handling are to acknowledge complaints within 3 working days and to close out complaints within 30 days. Approximately 4.5% complaints were not acknowledged within 3 days and about 4% were not closed within 30 days. While 100% compliance was not achieved, results were considered acceptable and within the allowable tolerance levels provided by the Handbook.

13. **Direct Marketing Policy Fulfillment Protocol:** The Company provided a copy of the protocols and the lists of all Direct Marketing policy forms and policies issued in 2014. A copy of the Protocols was received and reviewed along with a sample of issued policies. The policies were checked for compliance with Standard 2 on Policyholder Service in the Handbook. This Standard requires policy issuance to be timely.

a. **Recording Dates:** Policy fulfillments were reviewed to ensure that the date sent for mailing is recorded. **No issues were noted.**

b. **Protocol and Summary:** Company policies and procedures for the policy fulfillment process were reviewed. **No issues were noted.**

14. **Direct Marketing Telemarketing Protocol:** The Company was requested to provide a copy of the protocols and a list of all inbound and outbound calls in 2014. A copy of the Protocols were received and reviewed along with a sample of calls and these were checked for compliance with Standards 2 and 3 on Marketing and Sales in the

Handbook. These Standards require Company training materials and communications in marketing to be in compliance with applicable statutes, rules and regulations.

- a. Outbound Calls: Calls and procedures were reviewed to determine if licensed Producers were engaged in activities requiring licensure. **No issues were noted.**
- b. Training & Monitoring Oversight: Training was reviewed to confirm that proper training was done to ensure compliance with relevant rules when directly marketing a product. **No issues were noted.**

15. **Direct Marketing Customer Service**: The Company provided copies of the Customer Service Protocol, Return Mail Process procedures, the list of returned mail items, Monthly Call Detail Report for 2014, Audit Recaps and Scorecards, and supplied a copy of the Complaint Log for the second quarter of 2014. These reports were reviewed to determine compliance with Standard 5 on Policyholder Service in the Handbook. This Standard requires policy transactions be processed accurately and completely.

- a. Call Center Performance: Company Call Center standards for the following metrics were reviewed for reasonableness: Call Center wait times; calls terminated by the caller i.e., dropped calls; returned mail protocols; and, the overall performance of Call Centers, including those operated by its Vendors. **The Company's abandonment rate of 4.74% on calls in 2014 is greater than the 4% standard established by the Company, but still considered to be reasonable. No further issue noted.**
- b. Training & Monitoring Oversight: Company standards were reviewed along with the training completed to reach the standards set by the Company.

The Company's complaint acknowledgement rate of 96.3% in 2014 for direct marketing is less than the Company's documented standards, but within the error rate acceptable under the 10% benchmark for practices not related to claims

16. **Direct Marketing Information Technology (IT) Protocol**: The Company provided copies of updated "IT Change Management/Change Control Process" and a copy of the "IT Change Control Log.xlsx" listing the IT projects in 2014. A random sample of 3 projects were requested, received, and reviewed for compliance with Standard 11 on Operations and Management in the Handbook. This Standard requires the


Company develop and implement written policies, standards and procedures for the management of insurance information. Three data projects were sampled and reviewed to ensure that quality assurance and change control protocols are in place for all programming enhancements that impact policy fulfillment and claims functions. **No issues were noted.**

ACKNOWLEDGEMENT

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

In addition to the undersigned, Tom Wohlbach, CIE, FSA, MAAA, Sean Betta, AIE, AMCM, and other representatives of AGI Services appointed by the Commissioner to represent the State of Iowa, participated in this examination.

Respectfully submitted,



John Humphries, ASA, MAAA, CFE, MCM
AGI Services
Representing the
Iowa Insurance Division