

## **EXECUTIVE SUMMARY**

A targeted market conduct examination of Globe Life and Accident Insurance Company (Globe) was conducted pursuant to, but not limited to, K.S.A. 40-222. The examination period was January 1, 2008 through June 30, 2010.

The examiners reviewed the Company's operations/management, complaints, marketing and sales, underwriting and claims while onsite in their administrative office in Oklahoma City, Oklahoma, and electronically from the KID headquarters in Topeka, Kansas. The examination focused on life insurance, though the Company does write some accident and health business as well. Management agreements between Globe and third party vendors who provide call center and agency services were evaluated for security of confidential information, service responsibilities and audit reviews.

Some responses to procedural inquiries and violations involved delays by the Company and outside counsel, extensions, and responses with incomplete or incorrect information which extended the time necessary to complete the examination.

Regarding complaint handling, no individual errors were observed. However, it was noted that the date stamps used by the Company on incoming mail did not include the year, only the month and day, so a recommendation is being made to update that procedure.

Replacement notices were not sent to all companies and proposed insureds with policies being replaced as required by K.A.R. 40-2-12. Additionally, the dates replacement notices were sent could not be verified in the processing system. The Company has acknowledged this violation and has submitted a revised process which KID will monitor through a follow-up market conduct examination.

While reviewing the claim files, applications and marketing materials, the exam team discovered life policies labeled "Group" and "Individual" but the group policy was not filed in Kansas as required by K.S.A. 40-433(5) and K.S.A. 40-216(a)(2)(A). Further investigation revealed that these policies should have been written as individual policies.

The Company failed one of the ten claim standards by not sending a delay letter when more time was needed to process a claim. Other issues found included failure to pay interest as applicable and failure to follow the company's procedures for sending delay letters every 30 days if a claim is contestable. Finally, a general recommendation was made to reword a suspension letter used in the claim process.

## **Recommendations**

### **OPERATIONS/MANAGEMENT**

1. The Company must respond completely and timely to all future KID communications including monitoring outside sources for timely responses and requests during follow-up examinations.

### **COMPLAINT HANDLING**

1. The Company should revise its incoming mail procedures to include the year on the date stamp in addition to the month and day.

### **MARKETING AND SALES**

1. The Company must either comply with the notice requirements as indicated in K.A.R. 40-2-12(b)(4) for exemption OR comply with the other requirements of K.A.R. 40-2-12. The Company must also be able to provide evidence that they are in compliance with the regulation. Updated procedures must be put into place within 60 days of the Final Order adopting this examination report.  
[Note: The Company has submitted a revised replacement process which KID is reviewing and will approve prior to implementation. A follow-up examination will be conducted to assure compliance with this regulation.]

### **UNDERWRITING AND RATING**

1. Within 60 days of the Final Order adopting this examination report, the Company must coordinate with the Life Division of the Kansas Insurance Department to correctly file the current group policies as required in K.S.A. 40-333(5) and K.S.A. 40-216(a)(2)(A) and devise an appropriate procedure to notify current policyholders of the changes resulting from the Kansas filing.  
[Note: The Company has agreed to no longer market the policies designated as a “discretionary group” under the Globe Family Services Trust and to file all necessary forms and policies in Kansas.]

### **CLAIMS**

1. Delay letters must be sent every 45 days after an initial notification when a claim is not accepted or denied within the first 15 working days after receipt of the proofs of loss.
2. The Company should adhere to its 30-day notification policy and document any reasons for the delay.
3. The Company must ensure that steps are in place to apply the correct Kansas interest rate to all claims as applicable.
4. The exam team recommended that the Company reword its “Notice of Suspension” letter and other similar letters to include an explanation to differentiate between closing, denying and suspending.  
[Note: The Company responded by submitting a new paragraph and received approval from the exam team during the onsite portion of the examination.]

The examiners are of the opinion that these recommended actions are critical for the Company to implement as tools to guarantee all Kansas certificate and policyholders are treated with uniformity and fairness.

