

EXECUTIVE SUMMARY

A targeted market conduct examination of Ability Insurance Company, also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from January 1, 2009 through December 31, 2011. The exam focused on long-term care business, with a review of claims handling, operations and management, and policyholder service to be the main areas of focus.

While some violations were found, the Company did not fail any of the Standards tested. There were several delays in conducting the examination due to all of the Company responses going through outside legal counsel prior to being sent to the examiners. Regardless of the error ratios, the exam team has made several recommendations based on the issues revealed during the examination.

Recommendations

OPERATIONS AND MANAGEMENT

1. When receiving communications from the Kansas Insurance Department (KID), timely responses from the Company are expected. If additional time is needed, the Company shall contact KID (prior to the deadline) to request an extension.

POLICYHOLDER SERVICE

1. The Company shall ensure Waiver of Premium benefits are administered properly.
2. The Company shall ensure unearned premiums are refunded promptly upon cancellation of policies.

CLAIM HANDLING

1. The Company shall ensure interest is paid on claims when required.
2. The Company shall ensure all relevant communications from a claimant requesting a response are addressed promptly.
3. The Company shall ensure all claim documents are date-stamped upon arrival at the company (unless otherwise indicated by fax date/time stamp).
4. The Company shall investigate each claim that is submitted and either pay or deny clean claims in writing within 30 days.

[Note: The Company has indicated they will begin date-stamping communications in addition to electronically imaging them. Also, at the request of the Company’s state of domicile, the Company had changed their procedures in how they are administering the Waiver of Premium benefits in the middle of the exam period (to the insured’s benefit). The Company has also

indicated they have discontinued their practice of encouraging claimants to withdraw claims, as was noted in a previous market conduct examination. In addition, the Company does not allow claims to be withdrawn for any reason.]