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2-23-10
PDP

Office of Insurance Commissioner
Hearing Memorandum

Proposed Consent Order 09-0138

2009 FEB 23 A 11:40

I. Facts

Patricia D. Petersen
Chief Hearing Officer

1. Unified Life Insurance Company ("Unified Life") is authorized to sell life and disability insurance in State of Washington.
2. Unified Life first acquired health business that pertains to the Washington loss ratio report in October 2007.
3. Unified Life mailed its calendar year 2007 loss report on June 9, 2009 past due by over one year (Exhibit 1).
4. Unified Life mailed its calendar year 2008 loss report on May 28, 2009 (Exhibit 2).
5. The Office of Insurance Commissioner ("OIC") mailed Unified Life a Proposed Consent Order dated November 16, 2009 imposing a fine of \$2750. A Request for Hearing was due within 30 days of the date on the letter (Exhibit 3).
6. On December 7, 2009, Unified Life mailed a Request for Hearing to Judge Petersen (Exhibit 4). This letter was received by and signed for on December 9, 2009 by A. Jeulean, per FedEx tracking (Exhibit 5).
7. On January 4, 2010, Marcia Stickler, OIC Attorney, notified Unified Life that the Hearing Unit never received the Request for Hearing. Unified Life subsequently submitted its Request for Hearing via email on January 4, 2010 to Marcia Stickler (Exhibit 6).
8. On January 25, 2010, Kevin Dill from Unified Life followed up with Marcia Stickler on the status of Unified Life's request for hearing (Exhibit 7).
9. Judge Petersen sent out an email on the Receipt of Request for Hearing on January 25, 2010 (Exhibit 8).

II. Argument

Unified Life believes the fine imposed by the OIC is excessive for the amount of earned premium that it reports in the State of Washington. While Unified Life believes that a formula system of imposing a fine is a fair approach to calculate the fine, we also believe that an adjustment for premium volume should be used in the formula. Unified Life has been served a fine in the amount of \$1750 for the 2007 survey in which we had only \$220 of earned premium. Our calculated fine for the 2008 survey was \$1000 in which we had only \$1161 of earned premium. The argument here is that the fines would be

exactly the same if we had \$10 million dollars of earned premium. The fine system appears to have been established for companies that have a large volume of business and does not adequately take into account smaller companies that have a minimal amounts of runoff business.

Unified Life does not believe that it should be fined for being three (3) days late on the 2008 survey since the stated delay in filing appears to be the result of the internal OIC mail delivery system. In filing the Request for a Hearing, Unified sent a FedEx 2nd Day delivery envelope with proof of signature to Judge Petersen on December 7, 2009 which was signed for on December 9th, 2009. This same letter was not officially filed until Unified Life emailed the letter to Marcia Stickler on January 4, 2010. Had this been the 2008 survey, Unified Life would have been fined for being late when, in actuality, Unified Life was seven (7) days early (response for Proposed Consent Order was December 16th). Unfortunately, Unified Life did not request a signature for the 2008 Loss Ratio Survey.

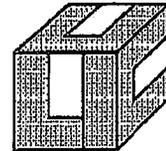
Unified Life also believes that the OIC failed in starting the hearing process in accordance with Title 48 RCW and Title 34 RCW. Judge Petersen's email of January 25, 2010 states "Please note that pursuant to Title 48 RCW and Title 34 RCW, a prehearing conference in this matter (or some other activity which commences the hearing process) must occur within 30 days of the date the Office of the Insurance Commissioner receives your Request for Hearing" (Exhibit 8). Unified Life mailed the original Request for Hearing on December 7, 2009 and it was received by the OIC on December 9, 2009, signed for by A. Jeulean. Activity on the hearing process did not start until January 25, 2010 in response to a follow up email sent by Kevin Dill to Marcia Stickler. This is well in excess of the 30 days.

III. Conclusion

Unified Life, based on the arguments stated herein, believes that the \$2750 fined should be waived or substantially reduced.

IV. Exhibits To Be Presented

- Exhibit 1 Unified Life's Loss Ratio Report for 2007
- Exhibit 2 Unified Life's Loss Ratio Report for 2008
- Exhibit 3 Office of Insurance Commissioner Proposed Consent Order 09-0138 and cover letter
- Exhibit 4 December 7, 2009 request for hearing letter
- Exhibit 5 FedEx Tracking Report for December 7, 2009 letter
- Exhibit 6 January 4, 2010 request for hearing email
- Exhibit 7 January 25, 2010 follow up on January 4, 2010 email.
- Exhibit 8 January 25, 2010 email from Judge Petersen



UNIFIED LIFE INSURANCE COMPANY

P.O. Box 25326
Overland Park, KS 66225-5326
1-800-237-4463

June 9, 2009

Ms. Lichiou Lee, ASA, MAAA
Health Actuary
Washington State Insurance Commissioner's Office
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Your June 3, 2009 Email to Unified Life Insurance Company (NAIC #11121)
Individual Annual Loss Ratio Filing for Calendar Years 2006 and 2007

Dear Ms. Lee:

This is in response to your email in which you indicated that Unified Life did not submit the Individual Annual Loss Ratio Filing for Calendar Years 2006 and 2007. We did not acquire individual health business on a direct basis until October 1, 2007. Therefore, we only have 4th quarter 2007 data to report as follows:

<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
\$220	\$0	0%

Unified Life's Actual Declination Rate = 0

Percentage set by Washington:	.74
Less actual loss ratio:	- .00
	.74

We apologize for inadvertently failing to file the 2007 report.

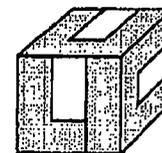
Actuarial Certification

As a member of the American Academy of Actuaries, I certify, to the best of my knowledge and belief, that the above loss ratio was calculated in accordance with the current standards of practice as promulgated by the Actuarial Standards Board.

Sincerely,

Kevin A. Dill, A.S.A., M.A.A.A.
Assistant Vice President and Associate Actuary

Exhibit 1



UNIFIED LIFE INSURANCE COMPANY

P.O. Box 25326
Overland Park, KS 66225-5326
1-800-237-4463

May 28, 2009

Ms. Lichiou Lee, ASA, MAAA
Health Actuary
Washington State Insurance Commissioner's Office
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Unified Life Insurance Company; NAIC #11121
Annual Loss Ratio Filing for Calendar Year 2008

Dear Ms. Lee:

Attached please find a transmittal form for Unified Life Insurance Company's Individual Health Plans Annual Loss Ratio Report for 2008.

Washington experience for individual health plans for 2008 is as follows:

<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>
\$1,161	\$88	7.6%

Unified's Actual Declination Rate = 0

Percentage set by Washington: .74
Less actual loss ratio: - .08
.66

Actuarial Certification

As a member of the American Academy of Actuaries, I certify, to the best of my knowledge and belief, that the above loss ratio was calculated in accordance with the current standards of practice as promulgated by the Actuarial Standards Board.

Sincerely,

Kevin A. Dill, A.S.A., M.A.A.A.
Assistant Vice President and Associate Actuary

Exhibit 2



OFFICE OF
INSURANCE COMMISSIONER

November 16, 2009

John E. Tiller, President
Unified Life Insurance Company
PO Box 25326
Overland Park, KS 66225-5326

RE: Unified Life Insurance Company
Proposed Consent Order No. 09-0138

Dear Mr. Tiller:

Enclosed are two originals of Washington State Office of Insurance Commissioner's Consent Order Levying a Fine. This Order will result in your Company being required to pay a fine in lieu of other action relative to its Certificates of Authority.

Please sign and return both of the original Orders by December 14, 2009. Upon receipt, the Orders will be signed by me, entered with our office, and one of the executed originals will be returned to you for your records. You will then have 30 days in which to pay the fine. If you wish to include payment with the Orders, please make your check payable to the Office of the Insurance Commissioner and send to Delia Zebroski, Fiscal Analyst, Operations Division, PO Box 40255, Olympia, Washington 98504-0255.

Should you have any questions regarding this matter, please feel free to contact me at (360) 725-7048.

Sincerely,

A handwritten signature in cursive script that reads "Marcia G. Stickler".

Marcia G. Stickler, Staff Attorney
Legal Affairs Division

Enclosures

Exhibit 3
Page 1 of 4



OFFICE OF
INSURANCE COMMISSIONER

IN THE MATTER OF
UNIFIED LIFE INSURANCE COMPANY,

An Authorized Insurer.

ORDER NO. 09-0138
CONSENT ORDER LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.02.185, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. Unified Life Insurance Company ("Unified Life" or "the Company") is authorized to sell life and disability insurance in Washington.
2. As an authorized disability carrier, Unified Life is required under RCW 48.20.025 to file an individual health plan annual loss ratio for each calendar year by May 31 of the following year.
3. Unified Life filed its calendar year 2007 loss ratio report on June 19, 2009, over a year late.
4. Unified Life filed its calendar year 2008 loss ratio report on June 3, 2009, two days late.

CONCLUSIONS OF LAW:

1. By failing to timely file its annual loss ratio filing for individual health plans for calendar years 2007 and 2008, Unified Life committed two violations of RCW 48.20.025(5).

2. A fine for these violations is authorized under RCW 48.05.185 in an amount not less than two hundred fifty dollars or more than ten thousand dollars.

CONSENT TO ORDER:

Unified Life, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and such terms and conditions as are set forth below.

1. Unified Life consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$2,750.00 (Two Thousand Seven Hundred Fifty Dollars), payable within thirty (30) days of the entry of this Order.

3. Unified Life's failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of the Company's Certificate of Authority, and shall result in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this ____ day of _____, 2009.

UNIFIED LIFE INSURANCE COMPANY

By: _____

Printed Name: _____

Typed Corporate Title: _____

ORDER

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby Orders as follows:

1. ~~Unified Life Insurance Company~~ shall pay a fine in the amount of \$2,750.00 (Two Thousand Seven Hundred Fifty Dollars).

2. The Company's failure to pay the fine within the time limit set forth above shall result in the revocation of the Company's Certificate of Authority and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

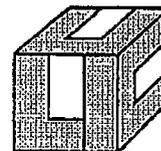
ENTERED AT TUMWATER, WASHINGTON, this ____ day of _____, 2009.

MIKE KREIDLER
Insurance Commissioner

By

Marcia G. Stickler
OIC Staff Attorney
Legal Affairs Division

Exhibit 3
page 4 of 4



UNIFIED LIFE INSURANCE COMPANY

P.O. Box 25326
Overland Park, KS 66225-5326
1-800-237-4463

December 7, 2009

Hon. Patricia D. Petersen
Chief Hearing Officer
State of Washington
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

RE: Unified Life Insurance Company
Proposed Consent Order No. 09-0138

Dear Judge Petersen:

Unified Life Insurance Company declines to accept the above consent order that was proposed and would like to request a hearing.

Please let me know when such hearing will take place. I can be reached by phone at 913-871-7348 or by email at kdill@unifiedlife.com.

Thank you.

Sincerely,

Kevin A. Dill, A.S.A., M.A.A.A.
Assistant Vice President and Associate Actuary

Exhibit 4



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Enter tracking number

Detailed Results	Notifications		
Tracking no.: 871031928663 E-mail notifications			
<p>Delivered</p> <p style="text-align: center;">Delivered Signed for by: A.JEULEAN</p>			
Shipment Dates	Destination		
Ship date Dec 7, 2009 Delivery date Dec 9, 2009 9:45 AM	Signature Proof of Delivery		
Shipment Facts Help			
Service type	FedEx 2Day Envelope	Delivered to	Receptionist/Front Desk
Shipment Travel History Help			
Select time zone: <input type="text" value="Select"/>	Select time format: 12H 24H		
All shipment travel activity is displayed in local time for the location			
Date/Time	Activity	Location	Details
Dec 9, 2009 9:45 AM	Delivered		
Dec 9, 2009 8:57 AM	On FedEx vehicle for delivery	OLYMPIA, WA	
Dec 9, 2009 8:24 AM	At local FedEx facility	OLYMPIA, WA	
Dec 9, 2009 6:29 AM	At dest sort facility	SEATTLE, WA	
Dec 9, 2009 4:00 AM	Departed FedEx location	MEMPHIS, TN	
Dec 8, 2009 12:25 PM	Arrived at FedEx location	MEMPHIS, TN	
Dec 7, 2009 11:10 PM	At local FedEx facility	KANSAS CITY, MO	
Dec 7, 2009 9:13 PM	Left FedEx origin facility	LENEXA, KS	
Dec 7, 2009 7:11 PM	Picked up	LENEXA, KS	

Exhibit 5

Kevin Dill

From: Kevin Dill
Sent: Monday, January 04, 2010 5:07 PM
To: marcias@oic.wa.gov
Subject: Proposed Consent Order No. 09-0138

Dear Ms. Stickler,

Unified Life Insurance Company declines to accept the above consent order that was proposed and would like to request a hearing. Please let me know when such hearing will take place.

If you need any information on the original submission of this request (i.e. FedEx report), please let me know.

Thank you.

Sincerely,

Kevin Dill
Assistant Vice President & Associate Actuary
Unified Life Insurance Company
913-871-7348

Exhibit 6

Kevin Dill

From: Kevin Dill
Sent: Monday, January 25, 2010 10:40 AM
To: Stickler, Marcia (OIC)
Subject: ULI Hearing

I was checking back through my notes, and I realized that I have not received any information on a hearing regarding Proposed Consent Order 09-0138. Do you have a status on this? Thanks

Kevin Dill
Assistant Vice President & Associate Actuary
Unified Life Insurance Company
913-871-7348

Exhibit 7

Kevin Dill

From: Petersen, Patricia (OIC) [PatriciaP@OIC.WA.GOV]
Sent: Monday, January 25, 2010 1:06 PM
To: Kevin Dill; Stickler, Marcia (OIC)
Cc: Bayon, Josie (OIC)
Subject: United Life Insurance Company - Receipt of Request for Hearing

January 25, 2010

Dear Mr. Dill:

The Hearings Unit acknowledges that it received and filed your Request for Hearing on January 4, 2010. As my Paralegal has been out on an emergency since January 5, you have not been sent a Notice of Receipt of Request for Hearing yet. However, it should be transmitted to you shortly, with extensive details concerning the hearing process and other matters which will aid you as this matter progresses.

Please note that pursuant to Title 48 RCW and Title 34 RCW, a prehearing conference in this matter (or some other activity which commences the hearing process) must occur within 30 days of the date the Office of the Insurance Commissioner receives your Request for Hearing.

I understand that you had some concern that you had sent a prior Request for Hearing via Federal Express to the Office of the Insurance Commissioner but that it was lost prior to being received by the Hearings Unit. I share your concern, and trust that at this point you will experience a smooth administrative process.

You will receive a Notice of Receipt of Request for Hearing shortly and will also be contacted to schedule a prehearing teleconference which will commence this proceeding.

Patricia D. Petersen
Chief Hearing Officer
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504
(360) 725-7105

Exhibit 8