



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor  
Connie L. O'Connell, Commissioner

Wisconsin.gov

121 East Wilson Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
E-Mail: [information@oci.state.wi.us](mailto:information@oci.state.wi.us)  
Web Address: [oci.wi.gov](http://oci.wi.gov)

Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

Conseco Senior Health Insurance Company  
11815 North Pennsylvania Street  
Carmel IN 46032

dated September 10-18, 2001, and served upon the company on July 16, 2002, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 20<sup>th</sup> day of November, 2002.

Connie L. O'Connell  
Commissioner of Insurance

ConsecoSrHealthInsCoAdpFm.doc

Report  
Of the  
Market Conduct Examination of  
Conseco Senior Health Insurance Company  
September 10 - 18, 2001

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION .....	1
II. PURPOSE AND SCOPE.....	4
III. CURRENT EXAMINATION FINDINGS .....	6
Operations and Management.....	6
Marketing, Sales and Advertising .....	8
Electronic Commerce.....	13
Producer Licensing .....	15
Rates and Forms .....	19
New Business and Underwriting.....	20
Premiums, Billings, and Refunds.....	29
Policyholder Service and Complaints .....	31
Claims Administration .....	34
IV. SUMMARY OF RECOMMENDATIONS .....	35
V. CONCLUSION .....	39
VI. ACKNOWLEDGMENTS.....	40



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor  
Connie L. O'Connell, Commissioner

Wisconsin.gov

February 22, 2002

**Bureau of Market Regulation**  
121 East Wilson Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
(608) 266-3585 • (800) 236-8517  
Fax: (608) 264-8115  
E-Mail: [marketreg@oci.state.wi.us](mailto:marketreg@oci.state.wi.us)  
Web Address: [oci.wi.gov](http://oci.wi.gov)

Honorable Connie L. O'Connell  
Commissioner of Insurance  
State of Wisconsin  
121 East Wilson Street  
Madison, Wisconsin 53703

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was made September 10, 2001 to September 18, 2001, of the affairs of:

CONSECO SENIOR HEALTH INSURANCE COMPANY  
Carmel, Indiana

The report of this examination is respectfully submitted.

## I. INTRODUCTION

Conseco Senior Health Insurance Company (CSHIC) is a stock life insurance company that is domiciled in the state of Pennsylvania. It is a wholly owned subsidiary of Conseco, Inc. (Conseco). The company was licensed in Wisconsin to write life and annuity and disability insurance, effective March 31, 1992.

The history provided by the CSHIC indicated that Conseco Senior Health Insurance Company, formerly American Travellers Life Insurance Company was originally incorporated on July 5, 1887 as Signal Life Insurance Company. In 1968, the name was changed to Penn Treaty Life Insurance Company and in 1976 to American Travellers Life Insurance Company. On December 17, 1996, Conseco, Inc. acquired the American Travellers Life Insurance Company. In September 1997, as part of centralizing its common service functions, Conseco, Inc. moved the administrative functions of American Travellers Life Insurance Company to Carmel, Indiana, except for claims administration. On November 2, 1998, American Travellers Life Insurance

Company was changed to Conseco Senior Health Insurance Company. CSHIC maintains its executive office in Carmel, Indiana, with its claims administration function being conducted in Chicago Illinois.

During the period under review, CSHIC wrote in Wisconsin only policies that are defined as long term care insurance policies, including nursing home and home health care insurance, under Wisconsin insurance regulations. CSHIC distributes its portfolio of long-term care products nationwide through a field force of general and independent agents. The company operates in 46 states, the District of Columbia and the U.S. and British Virgin Islands. Premiums are concentrated in Florida and Texas. Conseco Senior Health represents about 2% of Conseco, Inc.'s annualized premiums.

Conseco Life Insurance Company and General & Cologne Life Reinsurance Company of America provide reinsurance for CSHIC. Conseco Risk Mgmt. Inc., a subsidiary of Conseco offers its agent errors and omissions insurance.

The company ranked 5<sup>th</sup> in market share for long term care insurance for the period 1996 through 1998. Its had a dramatic decrease in market share in 1999 when it ranked 19<sup>th</sup>.

The following table summarizes the total direct national premium written in 2000 and 1999 as compared it to the total direct premium written in Wisconsin.

**National Direct Premium to Wisconsin Direct Premium**

<b>Year</b>	<b>National Direct Premium</b>	<b>Wisconsin Direct Premium</b>	<b>WI As a Percentage of the National Premium</b>
2000*	350,177,963	4,752,000	1%
1999	504,252,000	6,742,000	1%

As of September 30, 2000

The premium written by the company in 2000 was for health and life business. In 1999, the company ranked as the 19<sup>th</sup> largest writer of long term care insurance in Wisconsin, although it ranked 5<sup>th</sup> in 1996, 1997 and 1998.

The following table summarizes the company's Wisconsin long term care business for the last two years:

<b>Type of Business</b>	<b>Actual Earned Premiums</b>	
	<b>1999</b>	<b>1998</b>
Individual A & H	809,660	6,055,615
Total	809,660	6,055,615

The following tables summarize the premium written and benefits paid in Wisconsin for 2000 and 1999:

### Wisconsin Premium and Benefits Paid Summary

<b>Line Of Business</b>	<b>2000</b>		
	<b>Premium Written</b>	<b>% of WI Total</b>	<b>Benefits Paid</b>
Group Policies	19,612	.3%	\$17,861
Federal Employees Health Benefits		0%	
Credit (Group & Individual) Collectively Renewable Policies	15,447	.2%	
Other Individual Policies		0%	
Non cancellable	12	0%	2,211,611
Guaranteed renewable	6,282,511	99%	57
Non renewable	2,203	0%	
All other	79	0%	
Total	\$6,319,864	100%	\$2,229,529

<b>Line Of Business</b>	<b>1999</b>		
	<b>Premium Written</b>	<b>% of WI Total</b>	<b>Benefits Paid</b>
Group Policies	\$18,953	.2%	\$4,038
Federal Employees Health Benefits		0%	
Credit (Group & Individual) Collectively Renewable Policies	811	0%	762
Other Individual Policies		0%	
Non-cancellable			
Guaranteed renewable	6,414,608	99%	1,957,207
Non renewable	2,001	0%	
All Other	1,774	0%	
Total	\$6,438,148	100%	\$1,962,007

## II. PURPOSE AND SCOPE

The targeted market conduct examination of CSHIC's insurance business was conducted to determine whether CSHIC's practices and procedures comply with Wisconsin insurance statutes and rules. The on-site examination was conducted at CSHIC's administrative office at 11815 North Pennsylvania Street, Carmel, Indiana, from September 10, 2001 through September 18, 2001.

The scope of the market conduct examination was limited to a review of CSHIC's long-term care insurance business. The period of review for the examination focused on, but was not limited to insurance transactions conducted during the period June 1, 1999 through June 30, 2001. The examiners also reviewed those transactions and affairs of CSHIC when determined appropriate due to the name change of the company. The OCI has not conducted a previous market conduct examination of the company.

The examination included a review of the following functional areas:

- Operations and Management
- Claims Administration
- Electronic Commerce
- Marketing, Sales & Advertising
- New Business & Underwriting
- Policy Forms & Rates
- Policyholder Service and Complaints
- Premiums, Billings, and Refunds
- Producer Licensing

The examination may not have identified some practices and procedures that the OCI would find not acceptable or not in compliance with Wisconsin insurance law. The fact that the examination report does not specifically identify those practices and procedures does not constitute acceptance of those activities.

### **Complaints**

During the year 2000, the OCI received 10 complaints involving CSHIC. As of June 31, 2001, the OCI received 4 complaints involving the company. The number of complaints received in 2000, decreased by 17% from the number of complaints received

in 1999. The majority of CSHIC's complaints involve its long term care business with one complaint involving its life business.

CSHIC was not on the OCI's above average complaint list for individual accident and health insurance for the year 2000. It was on the above average complaint list for 1999.

In general, the CSHIC's complaints involved underwriting and policyholder service issues that resulted from the premium rate increases for long-term care insurance business.

The following table summarizes the complaints received by coverage type and reason type for the years 1999, 2000, and through June 2001.

### Summary of Complaints

Categories	2001		2000		1999	
	NO.	% of Total	NO.	% of Total	No.	% of Total
Underwriting	3	60%	6	46%	3	21%
Marketing & Sales	1	20%	1	8%	3	21%
Claims	0		1	8%	4	29%
Policyholder Service	1	20%	5	38%	4	29%
Other	0	0%	0	0%	0	0%
<b>Total*</b>	<b>5</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>12</b>	<b>100%</b>

\*complaints may involve more than one category



### III. CURRENT EXAMINATION FINDINGS

#### Operations and Management

CSHIC reports that its parent company, Consecos, is organized into strategic business units (SBU). CSHIC is one of several companies that is served by Consecos Health Strategic Business Unit. A business plan is developed for Consecos health SBU as a whole, and is designed for the SBU's portfolio of insurance products. CSHIC currently offers only long-term care insurance coverage in Wisconsin. CSHIC states that it does not plan to add new products in the future.

Consecos's chief privacy officer is responsible for CSHIC's compliance with privacy regulations. The privacy officer is a vice president position at the corporate level and has responsibilities for all Consecos companies.

The examiners requested from CSHIC copies of its internal audit reports involving Wisconsin business for the period of review. CSHIC reported that its internal auditing functions are conducted by Consecos health SBU and are not limited to reviewing the activities of a specific Consecos company but to reviewing a SBU process. CSHIC reported that there were no audit reports specific to CSHIC involving its long term care insurance business in Wisconsin.

CSHIC reported that it has contracted with four vendors to provide personal history interviews and face-to face assessments of applicants for long term care insurance. The examiners found that CSHIC did not have copies of written agreements for three of its vendors.

LifePlans, Inc.	provided agreement
Nation's Care Link	provided one page of agreement
EMSI	unable to provide agreement
CHCS	unable to provide agreement

Section 601.42, Wis. Stat., requires that insurers report and reply to requests made by the commissioner, including answers to questionnaires and other information.

1. **Recommendation**—It is recommended that CSHIC maintain copies of all service agreements with its vendors in order to comply with s. 601.42, Wis. Stat.

## Marketing, Sales and Advertising

CSHIC's marketing, sales, and advertising activities are part of Consec's health sales division and Consec's health marketing department. Consec has a SBU unit primarily responsible for the marketing and product/segment management of long-term care policies.

Consec reported that it has five sales territories each headed by a regional sales manager who recruit and oversee the activities of field marketing organizations (FMO). CSHIC's FMOs are responsible for recruiting and training agents.

### Advertisements

The examiners requested a copy of CSHIC's advertising file for the period of review. CSHIC provided 2 printed advertisements that were in the process of being developed. At the request of the examiners, CSHIC conducted a search of its advertisements that it stated were warehoused, and provided 4 additional advertisements. CSHIC's, in its response to the examiner's marketing, sales & advertising interrogatory regarding the organization of its advertising file, reported that:

*The ad file cabinet hold the current years ad files. The ad files for past years are sent to off site storage and retained under "Product development" files permanently.*

*A completed ad file will contain the ad submitted, documentation of communication between the reviewer and the submitter, and Ad Review Data Sheet.*

Section Ins 3.27 (28), Wis. Adm. Code, provides that all advertisements shall be maintained in the insurer's advertising file for a period of 4 years or until the filing of the next regular examination report on the insurer, whichever is the longer period.

- 2. Recommendation**—It is recommended that CSHIC maintain an advertising file of all its advertisements for a period of 4 years or until the filing of the next regular examination report on the insurer, whichever is the longer period in order to comply with s. Ins 3.27 (28), Wis. Adm. Code.

The examiners requested a listing of CSHIC's agent advertisements that the company reported were logged into its database. CSHIC reported that it was unable to provide a listing specific to Wisconsin as the database included agent advertisement listings for all states and for all Conseco companies. CSHIC further reported that the database provided a report by calendar year and could not provide a listing for the period of review. Section Ins 3.27 (27) (a), Wis. Adm. Code, requires that the content, form and method of dissemination of all advertisements, regardless of by whom designed, created, written, printed or used, shall be the responsibility of the insurer whose policy is advertised.

3. **Recommendation**—It is recommended that CSHIC develop a process for assuring that advertisements created by agents for use in Wisconsin are submitted to the company and available upon request by the commissioner as required by s. Ins 3.27 (27) (a), Wis. Adm. Code.

Section Ins 3.27 (27) (b), Wis. Adm. Code, provides that an insurer shall require its agents and any other person or agency acting on its behalf in preparing advertisements to submit proposed advertisements to it for approval to use.

4. **Recommendation**—It is recommended that CSHIC develop a process for the periodic reminding of its agents that they are required to submit prior to use any advertisements regarding the company's long-term care insurance policies in order to document compliance with s. Ins 3.27 (27) (b), Wis. Adm. Code.

CSHIC provided a copy of lead generation materials used by its health sales and health marketing departments. The examiners found that these materials are invitations to inquire and therefore meet the definition of an advertisement under s. Ins 3.27 (5) (h), Wis. Adm. Code.

5. **Recommendation**—It is recommended that CSHIC include in its advertising file copies of its lead generating materials in order to document compliance with s. Ins. 3.27 (5) (h), Wis. Adm. Code.

The examiners reviewed copies of CSHIC's sales materials the company made available to agents and that were provided in response to the marketing, sales and

advertising interrogatory. The examiners found that CSHIC's sales materials meet the definition of an advertisement, and were not maintained in its advertising file

<u>Advertisement</u>	<u>Form No.</u>
Conseco Step up	CI-544 (04/00) 07772
Conseco Step up	CI-TRIFLDMAIL (10/00) 12378
Conseco Step-up	CSH-LTC-STATCRD (9/00) 08801
FTQ LTC Insurance Policy	ATL-HADV-FQ-LTC-2-WI
Comprehensive Care	HADV-LTC-3-WI-1096
NH Care Protection	HADV-LTC-1-SJ-WI-1096
HHC Insurance Policy	HADV-HHC-4-WI-1096
Home Health Care	HADV-HHC1-92-WI [295]
The Presidential Plan	HADV-LTC-6-WI-1096
Lifetime Benefits	HADV-LTC-8-95-WI

Section Ins 3.27 (5) (a) 2, Wis. Adm. Code, includes as advertisements descriptive literature and sales aids of all kinds issued by an insurer or agent for presentation to members of the public, including but not limited to circulars, leaflets, booklets, depictions, illustrations and form letters.

- 6. Recommendation**—It is recommended that CSHIC include in its advertising file copies of its sales materials in order to document compliance with s. Ins 3.27 (5) (a) 2, Wis. Adm. Code.

The examiners found that CSHIC did not include for each of its advertising materials an indication of the manner and extent of distribution. Section Ins 3.27 (28), Wis. Adm. Code, requires that a notation shall be attached to each advertisement in the file indicating the manner and extent of distribution.

- 7. Recommendation**—It is recommended that CSHIC include in its advertising file a notation attached to each advertisement indicating the manner and extent of distribution as required by s. Ins 3.27 (28), Wis. Adm. Code.

The examiners found that CSHIC's advertisement forms CSH-LTC-BR-WI, CSH-HHC-BR-WI, and CSH-NH-BR-WI stated that the applicant could choose a daily maximum benefit from \$50 to \$250 per day. Section Ins 3.46 (4) (b), Wis. Adm. Code, provides that long-term care insurance policy form shall establish fixed daily benefit limits only if the highest limit is not less than \$60 per day.

8. **Recommendation**—It is recommended that CSHIC institute a process to assure that its advertisements accurately identify a minimum fixed daily benefit of not less than \$60 in order to comply with s. Ins 3.46 (4) (b), Wis. Adm. Code.

The examiners found that CSHIC’s advertising file did not include copies of its outlines of coverage. Section Ins 3.27 (5) (L), Wis. Adm. Code, provides that an advertisement includes an outline of coverage.

9. **Recommendation**—It is recommended that CSHIC include in its advertising file copies of its outlines of coverage in order to comply with s. Ins 3.27 (5) (L), Wis. Adm. Code.

In July 1999 and August 1999, CSHIC provided notice to Wisconsin policyholders, including a Company Name Change Endorsement and new identification cards, that it had changed its name from American Travellers Life Insurance Company (ATL) to CSHIC. In September 1999, OCI approved for use in Wisconsin CSHIC’s policy forms ATL-FQ-NH-WI and ATL-FQ-HHC-WI. In October 1999, the OCI approved CSHIC’s policy forms ATL-NFQ-LTC-WI, ATL-NFQ-HHC-WI and ATL-NFQ-NH-WI. The examiners found the CSHIC continued to use after its name change and approval of its policy forms, advertisements that identified ATL as the long-term care insurance insurer.

<u>Advertisement</u>	<u>Date Ad Discontinued</u>
HADV-HHC1-92-WI[295]	06/02/00
HADV-HHC-4-WI-1096	06/21/00
HADV-LTC-1-SJ-WI-1096	12/09/99
HADV-LTC-6-WI-1096	03/13/00
HADV-LTC-9-95-WI	11/1999

Section Ins 3.27 (12), Wis. Adm. Code, provides that the identity of the insurer shall be made clear in all of its advertisements.

10. **Recommendation**—It is recommended that CSHIC use only those advertisements that accurately identify the correct name of the company in order to comply with s. Ins 3.27 (12), Wis. Adm. Code.

The examiners found that CSHIC continued to distribute to its agents, after its name change and the approval of its CSHIC policy forms described in the Rate and Forms

section of this report, advertisements that identified the insurer as ATL. The examiners also found that the company did not provide documentation that it had notified its agents to discontinue use of these advertisement. Section Ins 3.27 (12) (a), Wis. Adm. Code, provides that the identity of the insurer shall be made clear in all of its advertisements.

- 11. Recommendation—**It is recommended that CSHIC provide notice to its agents within 3 months of the adoption of the examination report that they are to discontinue using any Conseco Senior Health Insurance Company materials that do not identify or use the logo that do not identify the legal name of the company in order to comply with s. Ins 3.27 (12) (a), Wis. Adm. Code.

## ELECTRONIC COMMERCE

CSHIC reported that the eConseco division of Conseco's corporate marketing department is responsible for the Internet and website activities. CSHIC does not have a separate and distinct website. Conseco has two URL's registered by the company. One URL offers information to the public. The other provides information for agent use only. CSHIC reported that it has no immediate plans for electronically accepting long-term care insurance claims for benefits or applications for coverage.

The examiners conducted an on-line review of Conseco's websites. The examiners found that Conseco's websites included a privacy disclaimer as well as a pop up screen that notified the consumer that they were leaving or entering a secure site.

Conseco's web sites did not include applications for insurance. However, the examiners found that Conseco's websites did include a limited questionnaire that is used to generate leads for the CSHIC LTC products. In response to the electronic commerce interrogatory, CSHIC reported that it uses its website to allow visitors the opportunity to complete a basic information form online requesting that a company representative can contact the person regarding CSHIC long term care products. Section Ins 3.27 (5) (a) 1 and (5) (h), Wis. Adm. Code, provides that an advertisement includes the internet, web pages, electronic or computer presentations.

**12. Recommendation**—It is recommended that CSHIC include in its advertising file the internet, web pages, electronic or computer presentations in order to comply with s. Ins 3.27 (5) (a) 1 and (5) (h), Wis. Adm. Code.

CSHIC stated that it has an internal procedure for the review and approval of agent advertisements. CSHIC also reported that it maintains a listing of its agents who have their own website. The examiners found that CSHIC's listing of agent websites included only those website advertisements submitted by its agents to the company. The examiners also found that CSHIC does not pro-actively monitor its agents' use of



advertising, and that it reacts only when it becomes aware of an agent's use of non-approved advertising. Section Ins 3.27 (5) (a) 2, Wis. Adm. Code, provides that advertisements include descriptive literature and sales aids of all kinds issued by an insurer or agent for presentation to members of the public.

- 13. Recommendation**—It is recommended that CSHIC develop a process for the periodic search of the internet to document that it maintains oversight of advertising activities conducted by agents who are providing information about the company's insurance products in order to comply with s. Ins 3.27 (5) (a) 2, Wis. Adm. Code.

The examiners found that CSHIC's sales representative agreement (CI-339 6/99) included an advertising provision that prohibited agents from printing or distributing advertisements without previous approval in writing by the company. The agreement provides for disciplinary action, up to and including termination, if agents use advertisements that have not been approved by the company.

## **PRODUCER LICENSING**

Conseco's health agency administration department is the SBU responsible for the CSHIC's producer licensing activities, including management of its agent contracts, agent appointments and termination of agent listings. CSHIC reports that it has contracts with all agents writing business with the company. Field marketing organizations (FMO) are responsible for recruiting agents, and are also responsible for training, motivating, and notifying of changes in Wisconsin insurance law. CSHIC utilizes both general agents and their sub-agents and independent agents to market its insurance products.

CSHIC reported that it monitors agents for compliance with Wisconsin's continuing education requirements by requiring that its agents possess a current copy of a Wisconsin license at the time of initial contract. It also compares its agent listing with the OCI's annual billing listing.

The examiners reviewed CSHIC's agent contracts, FMO recruiting packets, procedures and commission schedules. The examiners also reviewed an amendment to CSHIC's sales representative agreement regarding Gramm-Leach-Bliley Financial Services Modernization Act (GLBA) and federal and state privacy regulations. CSHIC reported that the amendment was mailed to all active agents on July 7, 2001. CSHIC reported that it will at a later date incorporate the amendment into the body of its the sales representative agreement.

The examiners found that the sample termination of appointment letter provided by CSHIC in response to the producer licensing interrogatory did not comply with s 628.40, Wis. Stat. Section Ins. 628.40, Wis. Stat., requires that reasonable efforts to be made to recover policy forms and other indicia, and reasonable efforts include a formal

demand in writing for return of indicia. CSHIC provided a revised termination letter that it indicated would be used effective September 13, 2001.

- 14. Recommendation**—It is recommended that CSHIC document that it is making reasonable efforts to recover policy forms and other indicia in order to comply with s. 628.40, Wis. Stat.

The examiners requested from CSHIC a listing of all agents licensed and appointed in Wisconsin at any time during the examination period of from June 1, 1999 through June 30, 2001. The data provided by CSHIC was compared to the agents' database maintained by OCI. The examiners found several discrepancies that were reported to the company.

The examiners found five agent listings that CSHIC's database showed as terminated did not match with the OCI's database. CSHIC did not provide documentation to confirm agent termination.

<u>Agent License</u>	<u>CSHIC Termination Date</u>
2320645	05/15/01
1067917	04/30/01
206615	04/16/01
1053321	08/30/99
2328238	04/12/01

Section Ins 6.57 (2), Wis. Adm. Code, provides that notice of termination of appointment of individual intermediary-agent in accordance with s. 628.11, Stats., shall be filed prior to or within 15 calendar days of the termination date with the office of the commissioner of insurance.

- 15. Recommendation**—It is recommended that CSHIC develop a process for verification of agent termination only upon confirmation of termination by the OCI in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

The examiners found three agents that appeared on the OCI's listing of CSHIC agents that were not included in the data provided by the company in response to the examiner's request for a list of agents representing the company.

<u>Agent License</u>	<u>OCI Listing Date</u>
2382229	04/11/00
815266	02/07/94
2350747	04/25/01

Section Ins 6.57 (1), Wis. Adm. Code, provides that an agent listing shall become valid upon receipt of the agent listing validation report by the person submitting the listing.

The billing for initial listing shall be done annually at the same time and at the same rate as renewal listing.

- 16. Recommendation**—It is recommended that CSHIC develop a process for verification of active agent listings including justification of its annual billing in order to confirm the listing status of its agent in order to comply with s. Ins 6.57 (1), Wis. Adm. Code.

The examiners also reviewed a random sample of 50 CSHIC active and terminated agent files, and CSHIC’s internal agent licensing and listing procedures. CSHIC failed to provide 4 agent files. Section 601.42, Wis. Stat., requires that an insurer make available any documents requested by or on behalf of the commissioner.

- 17. Recommendation**—It is recommended that CSHIC institute a process to ensure that it maintains documentation that its agents have active licenses and listings in order to document compliance with s. 601.42, Wis. Stat.

CSHIC’s reported in its producer licensing interrogatory that its agent file maintenance procedures require the following:

*“To maintain an agent’s file we make sure that the information is in the file as follows: agent contract, commissions level (if applicable, current license, background investigation, copy of appointment form, confirmation from the specific state, any letters submitted to the agent from our company and any letters submitted to the company by the agent.”*

The examiners found 2 CSHIC agent files did not include agent contracts. The examiners found 9 CSHIC agent files did not include a copy of appointment form OCI 11-001. The examiners found 17 CSHIC agent files did not contain documentation that it received confirmation from the OCI that the agents were listed with the company. The examiners found 1 agent file did not include a copy of the current Wisconsin license.

CSHIC stated that it is currently using State Insurance Regulators Connection (SIRCON) in all current COSMOS states, whereby appointments are processed electronically.

The examiners found 8 CSHIC agent files did not include copies of CSHIC agent contracts. The agent files did include contracts with American Travellers Life Insurance Company. The examiners also found 2 CSHIC agent files did not include a copy of an executed agreement. CSHIC reported that CSHIC does not require signatures on its agent agreements.

- 18. Recommendation—**It is recommended that CSHIC require agents' signatures on its agency and agent contracts in order to demonstrate that it can enforce the contract and to document a good business practice.

The examiners found 15 CSHIC terminated agent files contained a termination notice that did not comply with s. Ins 6.57 (2), Wis. Adm. Code. The examiners also found 3 CSHIC agent files did not contain a termination notice. Section Ins 6.57 (2), Wis. Adm. Code, requires that the insurer provide to the agent written notice that the agent is no longer listed with the company. The notice must include a formal demand for the return of all indicia.

- 19. Recommendation—**It is recommended that CSHIC maintain in its files for terminated agents a copy of the written notice demanding return of all indicia in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

## **RATES AND FORMS**

Conseco's health compliance department is responsible for the submission of CSHIC's rate and form filings to the state of Wisconsin insurance department. The health compliance department drafts policy language, reviews new and existing policies for compliance with Wisconsin insurance laws, files the contracts with the OCI, and maintains copies of CSHIC's policy forms.

The examiners reviewed both ATL and CSHIC policies, riders, applications, outlines of coverage, and replacement, reinstatement and suitability forms that were marketed or in effect during the period of the examination. CSHIC has approved in Wisconsin tax qualified and non-tax qualified long term care, nursing home, and home health care policies. CSHIC's also has inflation protection and non-forfeiture benefit riders that meet the requirements of s. Ins 3.46 (11) (a) and (11m), Wis. Adm. Code. CSHIC submitted to the OCI notification that effective November 2, 1998 the company's name would change from American Travellers Life Insurance Company to Conseco Senior Health Insurance Company. On February 25, 1999, CSHIC filed with the OCI a Company Name Change Endorsement form number CSHIC-7000.

The examiners reviewed the actuarial memoranda CSHIC submitted with each of its approved policy form submissions. The examiners found that CSHIC's actuarial memoranda included language that stated it met the commission limits for long-term care insurance policies included under s. Ins 3.46 (13), Wis. Adm. Code.

CSHIC filed with the OCI 4 notices of premium rate increases for its long-term care insurance business. The examiner's review of the premium rate increase notices is included in the Premiums, Billings and Refunds section of this report.

No exceptions were noted.

## **NEW BUSINESS AND UNDERWRITING**

CSHIC's new business department is responsible for processing applications and premiums, depositing premiums, ordering phone interviews and personal assessments, verifying agent licensing [listing], data entering applications, activating approved policies and refunding initial premiums. CSHIC's underwriting department is responsible for medical underwriting of applications.

On November 2, 1998, the company's name was changed from American Travellers Life Insurance Company to Conseco Senior Health Insurance Company (CSHIC). CSHIC notified existing policyholders in July 1999 and August 1999 by means of letter including a Company Name Change Endorsement and new identification cards that it had changed its name from ATL to CSHIC.

The examiners reviewed CSHIC's new business and underwriting interrogatory, manuals and documents used during the underwriting process, field underwriting manual and instructional materials for agents, form letters, suitability guidelines, replacement procedures. CSHIC issued in Wisconsin tax-qualified and non-tax-qualified long-term care policies, nursing home policies and home health care policies with coverage amounts ranging from \$60 to \$250 for ages 19 through 79, and with coverage amounts from \$60 through \$200 for ages 80 through 99.

CSHIC reported that it had a personal history interview department until November 2000. It currently contracts with four entities, LifePlans, Inc. Waltham, MS, CHCS, Weston, FL, EMSI, San Angelo, TX, and Nations' Care Link, Minneapolis, to perform this service. CSHIC uses Integrated Assessment Services Network's underwriting evaluation process to perform the face-to-face interview of applicants age 75 and over. The examiners found that CSHIC has a process in place that meets the requirements under s. Ins 3.46 (10), Wis. Adm. Code, which limits post-claim underwriting for applicants 75 years of age or older.

CSHIC's underwriting guidelines provide that the company currently writes either preferred or standard business based on four general questions in the application. The writing agent determines the preferred or standard rating category of an applicant at the time of application. If CSHIC determines through medical underwriting that the rating needs to be changed, it amends the policy, and requires that the applicant sign an amendment to the policy before the policy can be issued.

Prior to June 1997, CSHIC had up to 6 underwriting classifications for its business, super preferred, preferred, standard, select I, select II, and special underwriting consideration. As of June 1997, CSHIC changed its underwriting classes to preferred or standard. The examiners found that CSHIC also made changes to the underwriting guidelines as a result of having to file notice of premium rate increase.

The examiners reviewed a random sample of 50 CSHIC application files where coverage was issued, and 50 application files where coverage was not issued. The examiners found as part of its review that CSHIC's agents were eligible for cash incentives, additional money, and prizes for the sales of long-term care insurance policies that met the definition of compensation and was not reflected in the calculation of commissions in its actuarial memoranda. CSHIC reported that it had paid a \$100 bonus to agents listed in Wisconsin who scheduled a face-to-face interview with applicants and the policy was subsequently issued. Section Ins 3.46 (13), Wis. Adm. Code, regarding commission limits for long-term care insurance, nursing home and home health care policies, states that an insurer may provide compensation to an intermediary or other representative, only if the first year compensation for the sale does not exceed 400% of the compensation of the compensation paid in the 2<sup>nd</sup> year or period for the sale or for servicing the policy or certificate.

- 20. Recommendation**—It is recommended that CSHIC include in its calculation of agent commissions and report in its actuarial memoranda all



compensation paid to agents for the sale of long-term care insurance policies in order to comply with s. Ins 3.46 (13), Wis. Adm. Code.

The examiners found 12 CSHIC application files where coverage was issued that included a copy of policy schedule page form number ATL-FQ-LTC.

<u>Policy No.</u>	<u>App Date</u>
727009	06/03/99
732615	08/03/99
733626	08/17/99
733974	08/16/99
734585	08/31/99
738730	10/07/99
756357	04/28/00
757063	05/01/00
762283	07/10/00
772631	01/08/01
774543	02/26/01
775763	03/27/01

The examiners found that form number ATL-FQ-LTC had not been approved for use in Wisconsin as required by s. 631.20, Wis. Stat. CSHIC stated that policy form ATL-FQ-LTC had never been issued in Wisconsin, and that it believed that the printing of the policy schedule page was the result of a computer error. Section 631.20, Wis. Stat., provides that no form subject to s. 631.01 (1), may be used unless it has been filed with and approved by the commissioner and unless the insurer certifies that the form complies with chs. 600 to 655 and rules promulgated under chs. 600 to 655.

- 21. Recommendation—**It is recommended that CSHIC report and provide documentation to the OCI that it had not issued to Wisconsin policyholders policy form number ATL-FQ-LTC, and that it has corrected any computer error that resulted in its application files containing a copy of the policy schedule page for policy form number ATL-FQ-LTC, in order to comply with s. 631.20, Wis. Stat.
- 22. Recommendation—**It is recommended that CSHIC develop a plan, to be submitted for approval by the OCI, by which it identifies those policyholders who received as part of their policy a policy schedule page identified as ATL-FQ-LTC, and that it provide notice to Wisconsin policyholders of the issuance of an incorrect policy schedule page in order to comply with s 631.20, Wis. Stat.

The examiners found 24 CSHIC new business-not issued files contained an application (form no. ATL-LTC-APP-98-WI) that identified the insurer as ATL after the November 2, 1998 name change of the company. Fourteen of these files included application dates in excess of one year after the name change. CSHIC reported that due to the cost related to replacing forms in inventory on a specific date, forms were replaced as they came due for reorder. Section 628.34 (1)(a), Wis. Stat., provides that no person who is or should be licensed under chs. 600 to 646 and no employee or agent of any such person may make or cause to be made any communication relating to an insurance contract or the insurance business, which contains false or misleading information, including information misleading because of incompleteness. Further, no intermediary or insurer may use any business name, slogan, emblem or related device that is misleading or likely to cause the intermediary or insurer to be mistaken for another insurer or intermediary already in business.

**23. Recommendation—**It is recommended that CSHIC discontinue the use of any and all application and other enrollment forms that include the name American Travellers Insurance Company in order to comply with s. 628.34 (1) (a), Wis. Adm. Code.

CSHIC's suitability process requires that the suitability for or personal worksheet be submitted. The examiners found that the company requires that one of the following suitability guidelines be met:

- Annual income over \$20,000
- Liquid Assets over \$30,000
- Family members pay premiums

CSHIC stated that for the period of review all applicants met its suitability guidelines.

The examiners found that CSHIC suitability guidelines met the minimum standard required by s. Ins 3.46 (16), Wis. Adm. Code. The examiners found that CSHIC new business issued files included 7 files that did not contain a complete, signed or dated personal worksheet form.

<u>Policy No.</u>	<u>App Date</u>
724059	05/06/99
739674	10/19/99
745631	12/08/99
747464	10/15/99
768142	10/10/00
778043	04/30/01

Section Ins 3.46 (16) (c) (3), Wis. Adm. Code, provides that a completed personal worksheet shall be returned to the insurer prior to the insurer’s consideration of the application for coverage.

- 24. Recommendation—**It is recommended that CSHIC institute a process to assure that it receives a completed personal worksheet in order to comply with s. Ins 3.46 (16) (c) (3), Wis. Adm. Code.

The examiners found 2 CSHIC new business—not issued files contained a “Suitability & Needs Analysis for Long Term Care Insurance” (form no. ATL-SNA-RCFR) that did not comply with s. Ins 3.46 (16) (c) 2, Wis. Adm. Code.

<u>Policy No.</u>	<u>Form Date</u>
737781	10/11/99 [received date]
774590	02/20/01

Section Ins 3.46 (16), Wis. Adm. Code, provides that the insurer shall include in its presentation to the applicant, at or prior to application, the “Long-Term Care Personal Worksheet,” which shall contain, at a minimum, the information in the format contained in Appendix 2, in not less than 12 point type.

- 25. Recommendation—**It is recommended that CSHIC institute a process to assure that it complies with the provisions of and amendments to s. Ins 3.46 (16), Wis. Adm. Code.

The examiners found 38 CSHIC new business-not issued files contained a personal worksheet that named American Travellers Life Insurance Company as the insurer. The examiners found that CSHIC continued to use after the July 1996 effective date of s. Ins 3.46 (16), Wis. Adm. Code, personal worksheet (form no. ATL-FQ-LTC-PW), which identified the insurer as ATL and did not comply with the requirements of s.

Ins 3.46 (16), Wis. Adm. Code. CSHIC reported that it was its understanding that it was not required to file and receive approval of its LTC personal worksheet. It also reported that it did not implement its suitability procedures until September 2000, and that it continued to use its personal worksheet (form no. ATL-FQ-LTC-PW), and would continue to do so until its product brochures for its new product are printed. Section Ins 3.46 (16) (c) 2, Wis. Adm. Code, provides that a copy of the insurer's personal worksheet shall be filed with the commissioner.

**26. Recommendation—**It is recommended that CSHIC file with the OCI its long-term care personal worksheet in order to comply with s. Ins 3.46 (16) (c) 2, Wis. Adm. Code and s. 631.20, Wis. Stat.

**27. Recommendation—**It is recommended that CSHIC withdraw from use long-term care personal worksheet (form no. ATL-FQ-LTC-P) that identifies the insurer as American Travellers Life Insurance Company in order to comply with s. 631.20 (1), Wis. Stat.

The examiners found 1 CSHIC new business-not issued file did not contain a personal worksheet. Section Ins 3.46 (16) (c) 3, Wis. Adm. Code, provides that a completed personal worksheet shall be returned to the insurer prior to the insurer's consideration of the application for coverage.

**28. Recommendation—**It is recommended that CSHIC institute a process to assure that it receives a completed personal worksheet prior to the insurer's consideration of the application of coverage in order to comply with s. Ins 3.46 (16) (c) 3, Wis. Adm. Code.

The examiners found 8 CSHIC new business-issued files did not contain a suitability letter to verify the applicant complied with CSHIC's suitability guidelines or that contained a draft of the suitability letter left by the agent with the applicant at the time the Personal Worksheet was completed. Section Ins 3.46 (16) (g), Wis. Adm. Code, provides that if the insurer determines that the applicant does not meet its financial suitability standards, or if the applicant has declined to provide the information, the insurer shall send the applicant a letter similar to the sample letter in Appendix 4.

- 29. Recommendation—**It is recommended that CSHIC institute a process for assuring that when applicants do not complete the long-term care personal worksheet, CSHIC send to the applicants and receive from the applicants signed suitability letters that comply with s. Ins 3.46 (16) (G), Wis. Adm. Code.

The examiners found 2 CSHIC new business-issued files (Policy No. 733915 and 734585) were not complete in that the applications did not include a response to question regarding designating a person to receive notice of lapse or termination of a policy for nonpayment of premium. CSHIC reported that it does not currently require the applicant to list a person to receive notice of lapse or termination of the policy on the application. Section Ins 3.46 (15) (a), Wis. Adm. Code, provides that an insurer shall obtain from the applicant either a written designation of at least one person, in addition to the applicant, who is to receive a notice of lapse or termination of the policy or certificate for nonpayment of premium or a written waiver dated and signed by the applicant electing not to designate additional persons to receive notice.

- 30. Recommendation—**It is recommended that CSHIC require that its agents obtain from applicants and its underwriting department verify that applicants for insurance complete the question regarding designating a person to receive notice of lapse or termination of the policy or a written waiver dated and signed by the applicant electing not to delegate additional persons to receive notice, in order to comply with s. Ins 3.46 (15) (a), Wis. Adm. Code.

The examiners found 1 CSHIC new business-issued file (Policy No. 734585) where the company could not document that the agent offered to the applicant the inflation protection option. Section Ins 3.45 (11) (d), Wis. Adm. Code, provides that no insurer or intermediary may accept an application for a long-term care policy or certificate unless the applicant has indicated acceptance or rejection of the inflation protection on the application.

- 31. Recommendation—**It is recommended that CSHIC maintain documentation that it accepts from its agents only those applications for long-term care policies that indicate acceptance or rejection of the inflation protection on the application in order to comply s. Ins 3.46 (11) (d), Wis. Adm. Code.

The examiners found 1 CSHIC new business-issued file (Policy No. 734585) where the company could not document that the agent offered to the applicant the nonforfeiture benefit option. Section Ins 3.46 (11m), Wis. Adm. Code, provides that no insurer may advertise, market or offer a long-term-care, nursing home only or home health care only policy or certificate unless the insurer offers, at the time of sale, a shortened benefit period non forfeiture benefit.

**32. Recommendation**—It is recommended that CSHIC maintain documentation that it offered, at the time of sale, a shortened benefit period nonforfeiture benefit in order to comply with s. Ins 3.46 (11m), Wis. Adm. Code.

The examiners found 4 CSHIC new business-issued files where 3 agents wrote applications that CSHIC could not document were listed with the company at the time applications were taken. The examiners also found that CSHIC paid commissions in the amount of \$836.72 to agent 02118602 on applications written during the time he was not listed with the company.

<u>Policy No.</u>	<u>Agent License</u>	<u>App Date</u>
719799	02348415	03/26/99
757609	02118602	05/10/00
762283	00931774	07/10/00
775132	00931774	03/20/01

The examiners found 2 CSHIC new business not-issued application files included applications signed by agents who were not listed at the time the applications were written by the company.

<u>Application No.</u>	<u>Agent Code</u>	<u>App Date</u>
746286	128621	02/09/00
760267	061233	06/09/00

Section Ins 6.57 (5), Wis. Adm. Code, provides that no insurer shall accept business directly from any intermediary unless that intermediary is a licensed agent listed with that company.

- 33. Recommendation**—It is recommended that CSHIC institute a process to assure that it not accept business from or pay commissions to agents not listed in Wisconsin in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

Section Ins 3.46 (10) (c), Wis. Adm. Code, requires that an insurer file a report with the OCI regarding rescissions not later than March 1 each year. The examiners found that CSHIC did file the rescission report.

## PREMIUMS, BILLINGS, AND REFUNDS

CSHIC's premium administration and policy departments are responsible for premiums, billings, and refunds. CSHIC's new business section also handles these functions. CSHIC has a premium process for direct bill and automatic withdrawal from applicant's check account. CSHIC also has a waiver of premiums process by which the premium administration department places on waiver status those policyholders determined to be eligible based on notification by the claims department. CSHIC filed with the OCI the following premium rate increases for its long-term care insurance policies.

<u>Form Series.</u>	<u>Date of Form Approval</u>	<u>% of Rate Change</u>	<u>Filed Date</u>
ATL-LTC-6	09/26/96	16%	02/21/98
ATL-LTC-1	01/11/93	14%	02/24/98
ATL-LTC-1	01/11/03	25%	02/12/01
ATL-LTC-3	11/03/96	20%	05/01/01

The examiners reviewed CSHIC correspondence with the OCI's actuary, and the notice of premium increase it sent to policyholders. The examiners also requested and reviewed a listing of those CSHIC's Wisconsin policyholders that received a notice of premium rate increase. The examiners found that CSHIC was in compliance with the long-term care premium increase standards for policies issued on or after August 1, 1996. Section Ins 3.455 (9), Wis. Adm. Code provides that the initial premium rate schedule provided an insured covered by a long-term care policy may not increase during the initial 3 years in which the policy is in force. It also requires that any premium rate increase after the initial 3-year period be guaranteed for at least 2 years after its effective date. CSHIC reported that it does not anticipate filing premium rate increases within the next 12 months on business currently in effect in Wisconsin.

The examiners requested from CSHIC the status of its initial premium rate filing that are required on or after January 1, 2002 to comply with s. Ins 3.455 (10), Wis. Adm.



Code. CSHIC reported that it would file with the OCI the initial premium rate filings 30 days before making a long term care policy available for sales.

No exceptions were noted.

## POLICYHOLDER SERVICE AND COMPLAINTS

CSHIC's policy change and administration department is responsible for researching and responding to inquiries from policyholders and agents. The department also processes requests for duplicate policies, identification cards, and schedule pages. The company provides a toll-free number according to product line of business. The company's claim department handles benefit appeals.

The examiners reviewed CSHIC's complaint handling policies and procedures, complaints the company received from the OCI, and the company's complaint log. CSHIC defines a consumer complaint as any verbal or written correspondence from a customer where a grievance has been expressed about the business of Conseco, any of its agents or representatives.

Section Ins 3.46 (15) (c), Wis. Adm. Code, requires that not less than once every 2 years an insurer shall notify its policyholders of their right to designate a person to receive the notice of lapse or termination of the policy for nonpayment of premium. CSHIC reported that it is not currently providing the required notice.

- 34. Recommendation**—It is recommended that CSHIC provide notice to its policyholders of their right to designate a person to receive the notice of lapse or termination of the policy for nonpayment of premium in order to comply with s. Ins 3.46 (15) (c), Wis. Adm. Code.

The examiners requested from CSHIC its complaint log for the period of review. The examiners determined that the company's complaint log included only those 14 complaints received from the OCI. The examiners could not document that complaints received and recorded by the company's claims processing unit in Chicago, Illinois, were included in the complaint log maintained at the company's administrative office in Carmel, Indiana.

The examiners reviewed the 14 complaints included in CSHIC's complaint log for the period of review, all of which were received from the OCI. The examiners found 6 of

the complaints did not include documentation that the company contacted the complainant within the 10 calendar days required by the OCI's complaint letter (OCI 51-011 (R 3/95)).

<u>Policy No.</u>	<u>Date Received</u>	<u>Response to Complainant</u>
598598	09/07/99	09/22/99
722778	03/09/00	03/23/00
510239	09/03/99	09/28/99
713455	11/01/99	12/03/00
616736	07/26/00	09/08/00
740623	11/30/00	12/13/00

In response to this finding, CSHIC drafted a memo dated September 20, 2001 and distributed it to its health operations SBU and its supervisors and managers whereby it reiterated its corporate policy that complaint inquiries be responded to or a delay letter be sent within 5 days from receipt of the initial complaint.

- 35. Recommendation—**It is recommended that CSHIC maintain documentation that it contacts complainants within the 10 calendar days required by the OCI's complaint letter (OCI 51-011 (R 3/95)).

The examiners found 11 CSHIC complaints listed in its complaint log included a receipt date that differed from the date stamp on the written complaint.

<u>Policy No.</u>	<u>Date Reported</u>	<u>Date Stamp</u>
653503	09/29/00	08/24/00
740623	12/01/00	11/30/00
126756	01/12/01	12/19/00
405600	05/17/01	04/30/01
510239	09/07/99	09/03/99
598598	09/08/99	09/07/00
722776	03/10/99	03/09/00
616736	08/21/00	07/26/00
653008	08/23/00	08/21/00
657086	09/26/00	09/22/00
645079	09/28/00	09/26/00

- 36. Recommendation—**It is recommended that CSHIC institute a process including periodic audits that assures complaints reported in its complaint log report the date stamp as the date of receipt.

The examiners found one complaint file (policy #598598) received by CSHIC from the OCI included a written statement from agent license number 109744 that clearly misrepresented standard insurance practices for filing claims for long-term care insurance benefits and documented the agent's lack of understanding of this process. CSHIC's stated that no follow-up was pursued with the agent.

- 37. Recommendation—**It is recommended that CSHIC institute a process to educate, train, or follow-up with its agents when information or complaints are received indicating that its agents are providing information contrary to standard insurance practices.

## CLAIMS ADMINISTRATION

CSHIC's claim department is located in Chicago, Illinois, and is responsible for the processing claims, responding to claim inquiries and benefit appeals. The examiners conducted the claim review of CSHIC claim files at its administrative office in Carmel, Indiana.

The examiners reviewed CSHIC's claim handling procedures, including a review of the company's response to the claim interrogatory, contract provisions, claim manual and claim reports. CSHIC's long term care policies and its claims administration procedures do not require preauthorization, precertification or formal case management.

The examiners reviewed a random sample of 48 paid claims and 50 denied claims for the period of review. The review included documentation that claims were acknowledged and timely processed, and that interest was paid when payment exceeded 30 days from receipt of claim documentation. The examiners also reviewed whether the company requested and reviewed medical records where appropriate.

CSHIC's claim process involves identifying those claims that indicate a condition requiring long term care confinement and designating the claim for autopay. Thereafter, the claim adjuster telephones the nursing home to verify continuous confinement during the month, and can process payment without the insured submitting proof of loss on a monthly basis.

The examiners found that CSHIC failed to file a report of benefit appeals for its long-term care policies. Section Ins 3.55 (5), Wis. Adm. Code. Provides that an insurer shall report to the commissioner by March 31 of each year a summary of all benefit appeals filed during the previous calendar year and the disposition of these appeals.

- 38. Recommendation—**It is recommended that CSHIC file with the OCI on an annual basis a summary of all benefit appeals filed during the previous calendar year and the disposition of these appeals in order to comply with s. 3.55 (5), Wis. Adm. Code.

## IV. SUMMARY OF RECOMMENDATIONS

### Operations and Management

1. It is recommended that CSHIC maintain copies of all service agreements with its vendors in order to comply with s. 601.42, Wis. Stat.

### Marketing, Sales and Advertising

2. It is recommended that CSHIC maintain an advertising file of all its advertisements for a period of 4 years or until the filing of the next regular examination report on the insurer, whichever is the longer period in order to comply with s. Ins 3.27 (28), Wis. Adm. Code.
3. It is recommended that CSHIC develop a process for assuring that advertisements created by agents for use in Wisconsin are submitted to the company and available upon request by the commissioner as required by s. Ins 3.27 (27) (a), Wis. Adm. Code.
4. It is recommended that CSHIC develop a process for the periodic reminding to it agents that they are required to submit prior to use any advertisements regarding the company's long-term care insurance policies in order to document compliance with s. Ins 3.27 (27) (b), Wis. Adm. Code.
5. It is recommended that CSHIC include in its advertising file copies of its lead generating materials in order to document compliance with s. Ins. 3.27 (5) (h), Wis. Adm. Code.
6. It is recommended that CSHIC include in its advertising file copies of its sales materials in order to document compliance with s. Ins 3.27 (5) (a) 2, Wis. Adm. Code.
7. It is recommended that CSHIC include in its advertising file a notation attached to each advertisement indicating the manner and extent of distribution as required by s. Ins 3.27 (28), Wis. Adm. Code.
8. It is recommended that CSHIC institute a process to assure that its advertisements accurately identify a minimum fixed daily benefit of not less than \$60 in order to comply with s. Ins 3.46 (4) (b), Wis. Adm. Code.
9. It is recommended that CSHIC include in its advertising file copies of its outlines of coverage in order to comply with s. Ins 3.27 (5) (L), Wis. Adm. Code.
10. It is recommended that CSHIC use only those advertisements that accurately identify the correct name of the company to order to comply with s. Ins 3.27 (12), Wis. Adm. Code.
11. It is recommended that CSHIC provide notice to its agents within 3 months of the adoption of the examination report that they are to discontinue using any materials that identify the insurer as or use the logo of an insurer other than Conseco Security

Health Insurance Company in order to comply with s. Ins 3.27 (12) (a), Wis. Adm. Code.

### **Electronic Commerce**

12. It is recommended that CSHIC include in its advertising file the internet, web pages, electronic or computer presentations in order to comply with s. Ins 3.27 (5) (a) 1 and (5) (h), Wis. Adm. Code.
13. It is recommended that CSHIC develop a process for the periodic search of the internet to document that it maintains oversight of advertising activities conducted by agents who are providing information about the company's insurance products in order to comply with s. Ins 3.27 (5) (a) 2, Wis. Adm. Code.

### **Producer Licensing**

14. It is recommended that CSHIC document that it is making reasonable efforts to recover policy forms and other indicia in order to comply with s. 628.40, Wis. Stat.
15. It is recommended that CSHIC develop a process for verification of agent termination only upon confirmation of termination by the OCI in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.
16. It is recommended that CSHIC develop a process for verification of active agent listings including justification of its annual billing in order to confirm the listing status of its agent in order to comply with s. Ins 6.57 (1), Wis. Adm. Code.
17. It is recommended that CSHIC's institute a process to ensure that it maintains documentation that its agents have active licenses and listings in order to document compliance with s. 601.42, Wis. Stat.
18. It is recommended that CSHIC require agents' signatures on its agency and agent contracts in order to demonstrate that it can enforce the contract and to document a good business practice.
19. It is recommended that CSHIC maintain in its files for terminated agents a copy of the written notice demanding return of all indicia in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

### **New Business and Underwriting**

20. It is recommended that CSHIC include in its calculation of agent commissions and report in its actuarial memoranda all compensation paid to agents for the sale of long-term care insurance policies in order to comply with s. Ins 3.46 (13), Wis. Adm. Code.
21. It is recommended that CSHIC report and provide documentation to the OCI that it had not issued to Wisconsin policyholders policy form number ATL-FQ-LTC, and that it has corrected any computer error that resulted in its application files containing a copy of the policy schedule page for policy form number ATL-FQ-LTC, in order to comply with s. 631.20, Wis. Stat.

22. It is recommended that CSHIC develop a plan, to be submitted for approval by the OCI, by which it identifies those policyholders who received as part of their policy a policy schedule page identified as ATL-FQ-LTC, and that it provide notice to Wisconsin policyholders of the issuance of an incorrect policy schedule page in order to comply with s 631.20, Wis. Stat.
23. It is recommended that CSHIC discontinue the use of any and all application and other enrollment forms that include the name American Travellers Insurance Company in order to comply with s. 628.34 (1) (a), Wis. Adm. Code.
24. It is recommended that CSHIC institute a process to assure that it receives a completed personal worksheet in order to comply with s. Ins 3.46 (16) (c) (3), Wis. Adm. Code.
25. It is recommended that CSHIC institute a process to assure that it complies with the provisions of and amendments to s. Ins 3.46 (16), Wis. Adm. Code.
26. It is recommended that CSHIC file with the OCI its long-term care personal worksheet in order to comply with s. Ins 3.46 (16) (c) 2, Wis. Adm. Code and s. 631.20, Wis. Stat.
27. It is recommended that CSHIC withdraw from use long-term care personal worksheet (form no. ATL-FQ-LTC-P) that identifies the insurer as American Travellers Life Insurance Company in order to comply with s. 631.20 (1), Wis. Stat.
28. It is recommended that CSHIC institute a process to assure that it receives a completed personal worksheet prior to the insurer's consideration of the application of coverage in order to comply with s. Ins 3.46 (16) (c) 3, Wis. Adm. Code.
29. It is recommended that CSHIC institute a process for assuring that when applicants do not complete the long-term care personal worksheet, CSHIC send to the applicants and receive from the applicants signed suitability letters that comply with s. Ins 3.46 (16) (g), Wis. Adm. Code.
30. It is recommended that CSHIC require that its agents obtain from applicants and its underwriting department verify that applicants for insurance complete the question regarding designating a person to receive notice of lapse or termination of the policy or a written waiver dated and signed by the applicant electing not to delegate additional persons to receive notice, in order to comply with s. Ins 3.46 (15) (a), Wis. Adm. Code.
31. It is recommended that CSHIC maintain documentation that it accepts from its agents only those applications for long-term care policies that indicate acceptance or rejection of the inflation protection on the application in order to comply s. Ins 3.46 (11) (d), Wis. Adm. Code.
32. It is recommended that CSHIC maintain documentation that it offered, at the time of sale, a shortened benefit period nonforfeiture benefit in order to comply with s. Ins 3.46 (11m), Wis. Adm. Code.



33. It is recommended that CSHIC institute a process to assure that it not accept business from or pay commissions to agents not listed in Wisconsin in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

#### **Policyholder Service and Complaints**

34. It is recommended that CSHIC provide notice to its policyholders of their right to designate a person to receive the notice of lapse or termination of the policy for nonpayment of premium in order to comply with s. Ins 3.46 (15) (c), Wis. Adm. Code.
35. It is recommended that CSHIC maintain documentation that it contacts complainants within the 10 calendar days required by the OCI's complaint letter (OCI 51-011 (R 3/95)).
36. It is recommended that CSHIC institute a process including periodic audits that assures complaints reported in its complaint log report the date stamp as the date of receipt.
37. It is recommended that CSHIC institute a process to educate, train, or follow-up with its agents when information or complaints are received indicating that its agents are providing information contrary to standard insurance practices.

#### **Claims Administration**

38. It is recommended that CSHIC file with the OCI on an annual basis a summary of all benefit appeals filed during the previous calendar year and the disposition of these appeals in order to comply with s. Ins 3.55 (5), Wis. Adm. Code.

## **V. CONCLUSION**

The examination involved a review of CSHIC's insurance practices and procedures for the period June 1, 1999 through June 30, 2001 to document compliance with Wisconsin insurance law. The examination report makes 38 recommendations. Some of recommendations may be residual to or result from the transition from American Travellers to Conseco Senior Health Insurance Company business. The examiners found that the exceptions noted were primarily a result of the marketing, sales, and advertising practices of the company. CSHIC also should exercise more oversight over the new business and underwriting functions of the company.

## **VI. ACKNOWLEDGMENTS**

In addition to the undersigned, the following personnel from the office of the commissioner of insurance participated in the examination and preparation of this report.

Ashley Natysin, Advanced Examiner

Jo Le Duc, Advanced Examiner

The cooperation and courtesy extended to the examiners is hereby acknowledged.

Respectfully submitted,

Diane Dambach

Examiner-in-Charge