

OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

Guarantee Trust Life Insurance Company

NAIC# 64211

As Of

March 31, 2009





Honorable Mary Jo Hudson
Director
Ohio Department of Insurance
50 W. Town St. Ste. 300
Columbus, OH 43215

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a target market conduct desk examination was conducted on the Ohio business of:

Guarantee Trust Life Insurance Company
NAIC Company Code 64211

A report of the examination is enclosed.

Respectfully submitted,

9/28/10

Lynette Baker
Chief, Market Conduct Division

Date

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FOREWORD

This examination was conducted under authority provided under Ohio Revised Code (“ORC”) 3901.011.

SCOPE OF EXAMINATION

On March 1, 2009, the Market Conduct Division, Ohio Department of Insurance (“Department”), opened an examination into the business practices of Guarantee Trust Life Insurance Company (“Company”) by sending a call letter. The Company’s Ohio health claims files were reviewed from the Home Office and three third party administrators, Allied National, The Baker Agency, and IAC USA.

On March 4, 2010, the file review portion of the desk examination began at the Department’s office in Columbus, Ohio. The examination was restricted to a review of the Company’s activities for Ohio health claims for the period of April 1, 2008, through March 31, 2009. The examination report is reported by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the state of Ohio’s applicable statutes and rules. Accordingly, the examination included a review of the Company’s operations and claims practices.

METHODOLOGY

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s insurance statutes and rules. These tests are described and the results noted in this report.

The examiner used the NAIC’s standard of:

7% error ratio on claim files (93% compliance rate)

to determine whether an apparent pattern or practice of non-compliance existed for any given test. The results of each test applied to a sample are reported separately. Each test is expressed as a “yes/no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings;
- Had additional information for the examiners to consider; and/or
- Proposed remedial action(s) to correct the apparent deficiency.

The examiners’ recommendations are included in this report.

COMPANY HISTORY

Guarantee Trust Life Insurance Company was founded in 1936. The Company currently writes business in 49 states, the District of Columbia and Puerto Rico. The Company contracts with several third party administrators for adjudication of its health claims services, including Allied National, The Baker Agency and IAC USA.

COMPANY OPERATIONS

As of August 9, 2010, the officers of the Company were:

Chairman, President, and CEO
Secretary
Treasurer and SVP

Richard S. Holson III
Thomas J. Guilfoil
Barbara L. Taube

GENERAL CLAIM PRACTICES

File Documentation

Ohio Administrative Code 3901-1-60(G) requires an insurer to be able to reconstruct its activities in regard to any claim, by documentation appropriate for the type and size of the claim. The Home Office and three third party administrators each use different claims handling systems and procedures. The Company must ensure that all paper claim files are legibly date stamped with their receipt dates, in the future. Many of the files reviewed during the exam were not date stamped or the date stamp was not legible enough to read. It is important that files contain adjuster notes and that the notes contain the claims respective received and paid or denied dates within them. These notes should also contain the dates that any additional information or documentation has been requested from the provider or insured by the Company as well as the date the Company received it. The Company should ensure that claim denial reasons are understandable to the claimant. And the Company must ensure that the date a claim is paid or denied is the date that the explanation of benefits is actually processed. Many claims files had delays of between 1 and 4 days from the time the claim was adjudicated and when the notification was sent to the insured and provider.

Methodology: The specific tests and corresponding code sections are listed below. Separate tests were performed for the home office and three third party administrators.

PAID CLAIMS

Timeliness for Requests for Information:

Standard: The initial contact by the third party payer is within the required time frame.

Test 1: If claim information was materially deficient, was the provider or beneficiary notified within 15 days from receipt of the claim as required by ORC 3901.381(B)(3) and OAC 3901-1-07(C)(5)?

Findings for Home Office, and TPA Baker, IAC and Allied:

No claims in the samples were found to be materially deficient.

Test 2: If additional information was needed to settle the claim, did the third party payer notify relevant external sources that supporting documentation was needed within 30 days of receiving the claim as required by ORC 3901.381(B)(2)(a) for electronically submitted claims and 15 days for non-electronically submitted claim as required by OAC 3901-1-07(C)(5)?

Home Office Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 8498 | 50 | 3 | 1 | 46 |

TPA Baker Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 128 | 46 | 19 | 0 | 27 |

TPA IAC Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 3393 | 50 | 2 | 1 | 47 |

TPA Allied Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 1728 | 50 | 1 | 0 | 49 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated.

Timeliness of claim payments:

Standard: A third party payer shall settle health claims in a timely manner.

Test: Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)?

No additional information requested-within 30 days of receipt of an electronically submitted claim as required by ORC 3901.381(B)(1) and within 21 days of receipt of a non-electronically submitted claim as required by OAC 3901-1-07(C)(12).

Reasonable specific supporting documentation requested-within 45 days after receipt of the claim as required by ORC 3901.381(B)(2)(a) for electronically submitted claims and 21 days from receipt of a properly executed proof of loss as required by OAC 3901-1-07(C)(12) for non-electronically submitted claims.

Home Office Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 8498 | 50 | 44 | 6 | 93% | 88% |

The standard of compliance is 93%. The Company's handling practices were below this standard.

TPA Baker Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 128 | 46 | 38 | 8 | 93% | 83% |

The standard of compliance is 93%. The Company's handling practices were below this standard.

TPA IAC Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 3393 | 50 | 40 | 10 | 93% | 80% |

The standard of compliance is 93%. The Company's handling practices were below this standard.

TPA Allied Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 1728 | 50 | 45 | 5 | 93% | 90% |

The standard of compliance is 93%. The Company's handling practices were below this standard.

Interest on claim payments:

Standards: Any third party payer who fails to make claim payments in compliance with Ohio statutes and rules shall be liable for claim interest payments. The process for payment of interest on late health claims should be in compliance with Ohio statutes and rules.

Test 1: Was the liability for interest in compliance with ORC 3901.389(A)?

Findings for Home Office, and TPA's Baker, and Allied:

No claims in these samples were found to be exceptions.

TPA IAC Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 3393 | 50 | 0 | 2 | 48 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated. Because the few claims that the examiner was able to test did fail the test, the Company should review their procedures for handling interest claims.

Test 2: Was the interest calculated correctly as required by ORC 3901.389(B)?

Findings for Home Office, and TPA's Baker, and Allied:

No claims in these samples were found to be exceptions.

TPA IAC Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 3393 | 50 | 0 | 2 | 48 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated. Because the few claims that the

examiner was able to test did fail the test, the Company should review their procedures for handling interest claims.

DENIED CLAIMS

Timeliness for Requests for Information:

Standard: The initial contact by the third party payer is within the required time frame.

Test 1: If claim information was materially deficient, was the provider or beneficiary notified within 15 days from receipt of the claim as required by ORC 3901.381(B)(3) and OAC 3901-1-07(C)(5)?

Findings for Home Office, and TPA Baker, IAC and Allied:

No claims were materially deficient.

Test 2: If additional information was needed to settle the claim, did the third party payer notify relevant external sources that supporting documentation was needed within 30 days of receiving the claim as required by ORC 3901.381(B)(2)(a) for electronically submitted claims and 15 days for non-electronically submitted claim as required by OAC 3901-1-07(C)(5)?

Home Office Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 15,302 | 50 | 5 | 0 | 45 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated.

TPA Baker Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 33 | 18 | 8 | 0 | 10 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated.

TPA IAC Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 3393 | 50 | 3 | 1 | 46 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated.

TPA Allied Findings:

| Population | Sample | Yes | No | N/A |
|------------|--------|-----|----|-----|
| 242 | 50 | 4 | 0 | 46 |

The Department acknowledges that there were not enough claims that met the test for there to be true statistical results. Because of this, no compliance rate was calculated.

Timeliness of claim denials:

Standard: A third party payer shall notify the provider and beneficiary of denial of a claim in a timely manner and give reason(s) upon which the denial is based.

Test 1: Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)?

No additional information requested-within 30 days of receipt of an electronically submitted claim as required by ORC 3901.381(B)(1) and within 21 days of receipt of a non-electronically submitted claim as required by OAC 3901-1-07(C)(12).

Reasonable specific supporting documentation requested-within 45 days after receipt of the claim as required by ORC 3901.381(B)(2)(a) for electronically submitted claims and 21 days from receipt of a properly executed proof of loss as required by OAC 3901-1-07(C)(12) for non-electronically submitted claims.

Home Office Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 15,302 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA Baker Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 33 | 18 | 17 | 1 | 93% | 94% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA IAC Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 1169 | 50 | 30 | 20 | 93% | 60% |

The standard of compliance is 93%. The Company's handling practices were below this standard.

TPA Allied Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 242 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

Test 2: Did the third-party payer include the specific reason for the claim denial in its notice as required by ORC 3901.381(B)(2)(c) and OAC 3901-1-60(D)(1) for electronically submitted claims and as required by OAC 3901-1-07(C)(1)(b) for non-electronically submitted claims?

Home Office Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 15,302 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA Baker Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 33 | 18 | 18 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA Allied Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 242 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA IAC Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 1169 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

Test 3: If the denial is final adjudication, did the notice provide the information required by OAC 3901-1-60(H)(5) concerning the right to file a complaint with the Department of Insurance?

Home Office Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 15,302 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA Baker Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 33 | 18 | 18 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA Allied Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 242 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

TPA IAC Findings:

| Population | Sample | Yes | No | Standard | Compliance |
|------------|--------|-----|----|----------|------------|
| 1169 | 50 | 50 | 0 | 93% | 100% |

The standard of compliance is 93%. The Company's handling practices were above this standard.

Examiner Criticisms:

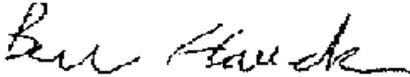
- The Company needs to develop uniform written procedures and train employees accordingly. Employees of the Home Office and three third party administrators, Baker, Allied, and IAC each use different claims systems and claims handling procedures.
- All paper provider bills must be legibly date stamped with the date of receipt by the Company, so that this date can later be easily determined during audits.
- If a claim is submitted by a provider to a third party vendor contracted with the Company, the date the vendor receives the claim should match the Company receipt date. The date that a third party vendor receives a claim for re-pricing, or any other services, is counted by the Department as the Company's claim receipt date. Determination of receipt dates was particularly difficult for TPA Baker.
- Claims adjuster notes should clearly indicate the dates that additional documentation has been requested by the Company and received from the provider or insured. The Company should record the date that the claim is originally filed with them as the receipt date. In some claims requests for additional information from providers were dated prior to the Company receipt date, resulting in an incorrect receipt date.
- In claims, where the provider bill is applied to the insured's deductibles, it is still required that these claims be adjudicated by the Company within their respective statutorily required time frames.

SUMMARY

The examination found the Company to be out of compliance in the following areas:

| Areas of Review | Compliance Standard | Compliance Rate |
|---|---------------------|-----------------|
| Paid Claims: Timeliness of claim payments (Home Office) Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)? | 93% | 88% |
| Paid Claims: Timeliness of claim payments (TPA Baker) Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)? | 93% | 83% |
| Paid Claims: Timeliness of claim payments (TPA IAC) Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)? | 93% | 80% |
| Paid Claims: Timeliness of claim payments (TPA Allied) Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)? | 93% | 90% |
| Denied Claims: Timeliness of claims denials (TPA IAC) Are health claims settled in a timely manner as required by ORC 3901.381(B) and OAC 3901-1-07(C)? | 93% | 60% |

This concludes the report of the Market Conduct Examination of Guarantee Trust Life Insurance Company. The examiners, Ben Hauck and Rob Stroup would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.



9/28/10

Ben Hauck
Examiner-in-Charge

Date

COMPANY RESPONSE



Guarantee Trust Life Insurance Company
1275 Milwaukee Avenue – Glenview, Illinois 60025 – (847) 699-0600

September 28, 2010

Mr. Daniel J. Atkisson, CPCU, CIDM, CIE
Insurance Compliance Supervisor
Ohio Department of Insurance
50 West Town Street
Third Floor – Suite 300
Columbus, OH 43215

RE: Guarantee Trust Life Insurance Company (NAIC No. 64211)
Target Market Conduct Examination of Claim Practices
Your Letter of September 1, 2010 - Final Report

Dear Mr. Atkisson:

The Company acknowledges receipt of the draft report, in final format.

We have taken the opportunity to review the report and accept its contents without further comment.

Respectfully,

A handwritten signature in cursive script, appearing to read 'Theresa A. Tyc'.

Theresa A. Tyc, AIRC, FLMI, MHP, ACS, HIA, AIAA, LTCP
Director, Product Approval and Compliance
Guarantee Trust Life Insurance Company