

GOLDEN RULE INSURANCE COMPANY

LIMITED SCOPE MARKET CONDUCT EXAMINATION REPORT

NAIC COMPANY CODE: 62286

MICHIGAN OFFICE OF FINANCIAL AND INSURANCE REGULATION

MARKET CONDUCT DEPARTMENT

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I. INTRODUCTION

This report is based on a limited or target market conduct examination of Golden Rule Insurance Company. The Michigan Office of Financial and Insurance Regulation (“OFIR”) conducted this examination in accordance with statutory regulation MCL 500.222 of the Michigan Insurance Code. The examination was prompted by consumer complaints and the ensuing issues involved in those complaints. The exam covers the period January 1, 2008 to March 31, 2009. It was conducted under the supervision of Regan Johnson, Manager of the Market Conduct Unit. OFIR engaged the contract services of INS Regulatory Insurance Services, Inc. to conduct certain on-site aspects of this examination.

The examiners evaluated the Company’s market conduct procedures and treatment of policyholders and certain agents sited in the State of Michigan. This examination focused on specific areas of customer complaints, customer grievances, claims and agent monitoring. Complaints and concerns relating to post claim rescissions were of special concern to OFIR and the examiners.

II. COMPANY OPERATIONS AND PROFILE

The Company began operations in 1940 as Golden Rule Insurance Association. The business operations and name changed to Golden Rule Life Insurance Company in 1942. Accident and health were amended to the charter in 1946. Several name changes ensued over the years. The Company became St. Anthony Life in 1961, then to Congressional Life in 1962 (specializing in disability income and life insurance). Additional business ventures were added in 1964 in the form of services, support and consulting services (AdVentures, Executive Systems, Data Service corporation, and Insurance Administrative Corporation).

Congressional Life Company changed its name to Golden Rule Insurance Company in 1977. This name change merged the two insurers. Golden Rule Financial Corporation became the new name of the parent company, replacing Executive Systems. The two companies were further merged in 1980 creating the Golden Rule Insurance Company as a single stand alone corporation. A new division (Financial Services) was appended to the parent in 1984.

The parent company began “sponsored” marketing agreements with other companies in 1986. Certain Golden Rule products were marketed through sales agreements by other sales forces. These agreements involved products not offered by other companies.

An ESOP was created in 2001 whereby 48% of Golden Rule stock was set aside for employees to become partial owners. Golden Rule Financial and the subsidiaries were merged with United Health Group/United Health Care in November 2003. This newly formed conglomerate is now a wholly owned subsidiary of United Health Group/United Health Care.

The financial services division (Golden Rule Financial) and the related subsidiaries were sold to State Life (a division of One America) in October 2005. The terms of the sale called for underwriting to be done by Golden Rule. However, as of December 2008 State Life ceased issuing new business on Golden Rule paper.

Golden Rule is currently licensed to market and write new insurance business in 49 states and the District of Columbia (New York State being the exception). Golden Rule markets and sells individual health insurance which can include benefit riders. These riders can include term life insurance and dental coverage. The majority of these policies are written through independent brokers and producers.

III. METHODOLOGY AND STANDARD OF REVIEW:

The examination was conducted based on the following standards:

1. Standards of review from the NAIC Market Regulation Handbook (2008 edition)
2. Michigan Insurance Code, MCL 500.1200, et seq; and
3. Internal guidelines and procedures provided by the company.

Three types of review were utilized for the above standards. Certain standards were examined with a single review, and others were examined using one or more type of review. The NAIC Market Regulation Handbook calls for a random sample of 100 files when the examination population is greater than 5000. This statistical sample applies to Golden Rule as follows:

1. Generic Review: a standard test was applied using analysis of general information provided as a response to examiner questions;
2. Sample Review: sample test review was applied by means of direct review of random sample files. This methodology is described in the NAIC Market Regulation Handbook. Statistical sampling is based on a 10% error tolerance and a 95% confidence level.
3. Electronic review: this standard was employed using a computer program applied to a sample of company records.

The examiners reviewed samples based on the sampling method (see Chapter 14, NAIC market Regulation Handbook).

IV. AREAS OF EXAMINATION:

This examination was limited in its scope and purpose. The Michigan Office of Financial and Insurance Regulation conducted a target market conduct examination of Golden Rule Insurance Company encompassing the period January 1, 2008 to March 31, 2009. This examination was conducted according to the Michigan Insurance Code (MCL 500.1200 et seq, MCL 500.222 Examination of Insurers) and the NAIC Market Conduct Handbook. The examination was conducted by representatives of INS Regulatory Insurance Services, Inc., under the direct supervision of Regan Johnson, Manager, Market Conduct Unit.

The examination team sampled company records in the areas of (1) Complaint Handling; (2) Grievance Handling; and (3) Claims. The analysis and examination of these areas were conducted and measured according to the standards and practices in the NAIC Market Regulation Handbook and the applicable statutes in the Michigan Insurance Code.

The examination was prompted by consumer complaints related to the Company's grievance handling, claims handling, application underwriting and post-claim rescission activities. The examination was limited to standards of review in three areas:

- Complaints
- Grievances
- Claims

This is a report by exception.

V. EXAMINATION PROCEDURES AND RECOMMENDATIONS

A. Complaints:

Standard 1: *All complaints are recorded in the required format on the regulated entity's complaint register.*

Examination procedures:

The examiners requested and reviewed the Company complaint register for the MI OFIR and in house complaints. These complaints consisted of 126 direct complaints and 15 MI OFIR complaints for the examination period. A random sample of 76 files was selected for review.

Examination results:

The Company tracks all oral complaints which includes phone calls. The Company also registers these calls and the ensuing resolution, if any.

Recommendation:

No further action is required. The Company appears to be in compliance.

B. Complaints:

Standard 2: *The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.*

Examination procedures:

A random sample of 76 files was reviewed according to the standard outlined above.

Examination results:

The Company differentiates between oral and written complaints. It considers oral complaints to be those initiated by customer phone and resolved from that single call. Other forms of complaint (requiring additional communication) are considered written.

The Company refers all complaints to its Regulatory Affairs Department. This department handles the final disposition of complaints, tracks complaint levels and provides this information to the Company senior management.

Recommendation:

No further action is required. The Company appears to be in compliance.

Standard 3: *The Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.*

Examination procedures:

A random sample of 76 files was reviewed according to the standard outlined above.

Examination results:

The Company has a Producer Review Process and Committee. Producers also receive copies of acknowledgment letters to alert them to any potential producer complaint.

Recommendation:

No further action is required. The Company appears to be in compliance.

C. Grievances:

Standard 2: *The health carrier documents grievances and establishes and maintains grievance procedures in compliance with statutes, rules and regulations..*

Examination procedures:

A random sample of 76 files was reviewed according to the above standard.

Examination results:

The Company has submitted a statement which states in part: “. . . [T]he Regulatory Affairs Department maintains hard copy files of all (of the) complaint files for at least 3 years”. The Company also submits an annual external review report to the commissioner.

Recommendations:

No further action is required. The Company appears to be in compliance.

VI. EXECUTIVE SUMMARY

Golden Rule Insurance Company has reviewed the report and accompanying correspondence from the Michigan Department of Financial and Insurance Regulation. A series of follow up correspondence has been exchanged between the parties. It is recommended that no further action be taken at this time.

An addendum to this report is available to regulators (only) upon request.

