

STATE OF MICHIGAN

DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH



MARKET CONDUCT EXAMINATION

NUMBER 2011C -0016

MAY 11, 2012

LIMITED SCOPE MARKET CONDUCT EXAMINATION REPORT OF

LIBERTY UNION LIFE ASSURANCE COMPANY

Madison Heights, Michigan

NAIC Company Code 66753

For the period from January 1, 2008 through December 31, 2010

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I. EXECUTIVE SUMMARY

Liberty Union Life Assurance Company (Company) is an authorized Michigan domiciled company. This examination was conducted in conformance with the National Association of Insurance Commissioner s (NAIC) Market Regulation Handbook (2011) and the Michigan Insurance Code. The scope of market conduct examination has been limited to the Company's activities related to the handling of health insurance claims, complaints and grievances for the period of January 1, 2008 to December 31, 2010.

This summary of the comprehensive market conduct examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination and findings. This examination report is a report by exception rather than a report by test.

II. HISTORY AND PROFILE

Liberty Union Life Assurance Company (the Company) is a Michigan domiciled company which incorporated on December 19, 1963 and became authorized on June 5, 1964. Originally incorporated as National Retirement Insurance Company, the name was changed to First Security Life & Health Assurance Company during 1987. The present title was adopted in 1998. The Company's purpose is to engage in the insurance business. The Company is authorized to write life and annuities, and disability insurance in accordance with the Michigan Insurance Code. The company is presently licensed only in Michigan and West Virginia.

Liberty Union is majority-owned by its chairman, Richard F. Mazur. The company is in the process of buying out its minority shareholders. Mr. Mazur has holdings in other ventures including real estate and insurance-related interests. The Company's affiliate, Mid-America Associates, Inc., is a third-party administrator (TPA) that performs most of the company's administrative functions, including the processing of its claims and administering its grievance procedures (complaints.)

III. METHODOLOGY

This examination is based on the standards and tests for a Target Market Conduct Examination found in the National Association of Insurance Commissioners (NAIC) *Market Regulation Handbook* (2011 edition) and the Michigan Insurance Code, Rules and Regulations as referenced herein.

The types of review used in this examination fall into three general categories: generic, sample and electronic. Some standards were measured using a single type of review, while others used a combination of all of the types of review.

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A "generic" review indicates that a standard was tested through an analysis of specific data and gathered by the examiner, or provided by the examinee in response to queries by the examiner.

A "sample" review indicates that a standard was tested through direct review of a random sample of files using sampling methodology described in the NAIC *Market Regulation Handbook*. For statistical purposes, an error tolerance of 7% was used when reviewing claims samples. An error tolerance of 10% was used for complaint file samples. The sampling techniques used are based on a 95% confidence level. This means that there is a 95% confidence level that the error percentages shown in the various standards so tested are representative of the entire set of records from which it was drawn. Note that the statistical error tolerance is not indicative of the OFIR's actual tolerance for deliberate or systematic error.

An examiner's selected samples for this examination are based on the sampling methodology described in Chapter 14 of the NAIC *Market Regulation Handbook*.

IV. SCOPE OF EXAMINATION

The State of Michigan's Office of Financial and Insurance Regulation (OFIR) or (the Department) conducted a target market conduct examination of Liberty Union Life Assurance Company (the Company) for the period of January 1, 2008 to December 31, 2010. The examination was called pursuant to MCL 500.222. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Department.

The examination reviewed the Company's activities related to its health insurance claims handling and complaints and grievance handling practices and procedures. The Company's claim settlement practices were examined to determine if all claims are investigated and handled timely and appropriately, and in compliance with the Michigan Insurance Code. Complaint handling practices were examined to determine if the Company complied with both Company grievance procedures approved by OFIR, as well as applicable Michigan Insurance Code citations.

This examination was limited in scope. This examination report is a report by exception rather than a report by test.

V. EXAMINATION FINDINGS

There are no findings or recommendations resulting from this examination.

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VI. ACKNOWLEDGMENT

This is to certify that the undersigned is duly qualified and has applied certain agreed-upon procedures to the Company's corporate records in order for the OFIR to conduct a target scope market conduct examination of the Company.

The undersigned's participation in this target examination as the Examiner-In-Charge encompassed responsibility for the coordination and direction of the examination. This participation consisted of involvement in the planning (development and supervision), administration and preparation of the limited scope examination report. The examination was performed in accordance with those standards established by the NAIC and the *Market Regulation Handbook*.

The courteous cooperation and assistance of the officers and employees of the Company extended to the examiners during the course of the examination is hereby acknowledged.

The examination activities were conducted by Michael Draminski, MCM. The examination report is respectfully submitted.

Michael Draminski, MCM
Examiner-in-Charge
Office of Financial and Insurance Regulation
Market Conduct Section
May 11, 2012