



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

UNITED SECURITY LIFE & HEALTH
INSURANCE COMPANY
6640 SOUTH CICERO AVENUE
BEDFORD PARK, ILLINOIS 60638

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Danny Talkington, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of United Security Life & Health Insurance Company of Bedford Park, Illinois, and to make a full and true report to me of the examination made by them of United Security Life & Health Insurance Company with a full statement of the condition and operation of the business and affairs of United Security Life & Health Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of United Security Life & Health Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 11th day of May, 2010

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Dan Talkington, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of the following insurance company:

United Security Life & Health Insurance Company-NAIC 81108

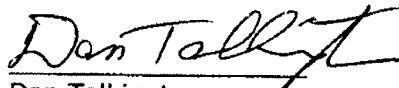
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

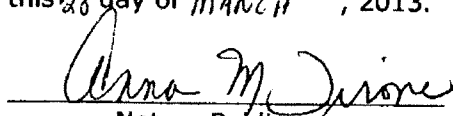
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.


Dan Talkington
Examiner-In-Charge

Subscribed and sworn to before me
this 28 day of MARCH, 2013.


Notary Public

ANNA M TIRONE
Notary Public - State of New York
No. 01TI6101625
Qualified in Richmond County
My Commission Expires Nov. 17, 2015

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Louis Butler
Staff Attorney

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with ROBERT G. DIAL, at the hour of 4:28 PM
on 2 November, A.D., 2010.

Danyel L. Bell
Examiner

UNITED SECURITY LIFE & HEALTH
INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: November 2, 2010 through December 17, 2010

EXAMINATION OF: United Security Life & Health Insurance
Company

COMPANY ADDRESS: 6640 South Cicero Avenue
Bedford Park, Illinois 60638

PERIOD COVERED
BY EXAMINATION: July 1, 2009 thru June 30, 2010

EXAMINERS: Danny L. Talkington
Examiner-in-Charge

INDEX

	<u>Page #</u>
I. SUMMARY	1
II. BACKGROUND	2-3
III. METHODOLOGY	4-6
IV. FINDINGS	7-9
A. Producer Analysis	
B. Claims Analysis	
C. Non-Forfeiture Analysis	
D. Policy Forms & Advertising Material	
E. Complaint Analysis	
V. INTERRELATED FINDINGS	10
VI. TECHNICAL APPENDICES	11

I. SUMMARY

United Security Life and Health Insurance Company was criticized under 215 ILCS 5/224(1)(l) for failure to make payment of interest to the insured's beneficiary due to delayed claim payment as required.

United Security Life and Health Insurance Company was criticized under 215 ILCS 5/234.1 for failure to provide a Notice of Enactment of the Non-forfeiture Options as required.

II. BACKGROUND

United Security Life and Health Insurance Company (Company) is an Illinois domiciled life, accident and health insurance carrier. The Company was incorporated in 1973, but did not begin operating in its current form and environment until 1990, when the Company was purchased and solely owned by American Transit Insurance Company, a New York domiciled property and casualty insurance company. On July 1, 2004, the Company was sold to United National Insurance Group (United National) a holding company formed to purchase the Company. The Company is wholly owned by United National. On December 31, 2006, J&P Holdings, Inc. (J&P) became the owner of 85% of the common shares of United National. The remaining 15% of the common shares of United National are owned by two members of the existing management team of United Security and one (1) retired member. United National's only holding is United Security Life and Health Insurance Company.

Over 85% of United Security Life and Health Insurance Company's revenue is generated from its discretionary group health insurance product lines. Operations are conducted on an independent agent and brokerage system with business also accepted from agents of other companies. Approximately 4,500 independent agents currently represent the Company in its six (6) licensed states of operation. Two (2) managing general agents produce over one-half of the Company's business. United Security Life and Health Insurance Company has approximately 30,000 covered lives across all product lines. Over the last several years, the Company has diversified its production of total premium income from its home state of Illinois to the other states in which it is licensed. The current geographic distribution is Illinois (25.3%), Indiana (28.0%), Arizona (15.8%), Arkansas (14.8%), Nebraska (14.7%) and Missouri (2.1%). While the Company focuses its marketing efforts on the major medical insurance market, which is sold through a discretionary group trust, it also offers short-term disability income, lump sum cancer insurance, and a final expense whole life product. Cross-selling efforts of the Company's ancillary products have been modest to date.

United Security Life and Health Insurance Company began marketing its "APEX Benefit Care Plan", its core major medical insurance product, in 1990. This plan is a traditional indemnity plan, which allows policyholders their choice of any physician, hospital, services, etc., without pre-certification of benefits. This plan includes preventive dental, physical exam and a smoke cessation benefit and also includes many other optional features, such as accidental death, full dental, term life, and maternity benefits. A prescription drug card, offered through Caremark, is included with its low-deductible traditional indemnity product. The Company's Protector Plan was introduced in

1998 to complement the traditional indemnity plan. Over the years, United Security has added various features and products to its portfolio. In October 2004, the Company released the Advantage Care, a new qualified Health Savings Account (HSA) plan to its agents. This product carries a higher deductible. The HSA plan has been well received and has accounted for the large increase to new business sales in 2005, 2006 and 2007. In 2005, the Company added an optional \$5 million lifetime maximum to all its major medical products, and added an optional doctor co-pay benefit to its Protector Plus product.

The Company markets its short-term disability product to the “blue collar” market. Since 1995, the Company has also offered a cancer product, which provides a lump sum benefit ranging from \$10,000 to \$50,000, which benefits can be used for both direct and indirect costs, and a final expense whole life product, targeted for the senior market. The Company has also filed and has approved in all states a new EZ-LIFE Whole Life Plan. The Company is in the process of creating a new Critical Illness Insurance Product.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The following categories are the general areas examined.

1. Producer Licensing & Production
2. Claims Analysis
3. Non-Forfeiture Analysis
4. Policy Forms & Advertising Materials Review
5. Department of Insurance and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms and advertising material, and Department of Insurance and consumer complaint files. Each of these categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys were cited in the report.

The following methods were used to obtain the required samples and to assure a methodical selection:

Producer Licensing and Production

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the producer analysis was July 1, 2009 through June 30, 2010.

Claims

1. Paid Claims – Payment for claims made during the examination period.

2. Denied Claims – Denial of benefits for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and endorsements, and applicable Sections of the Illinois Insurance Code (215 ILCS 5/1 et al.), and 50 Illinois Administrative Code (50 Ill. Adm. Code).

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment to the insured or the beneficiary. The examination period of the claims survey was July 1, 2009 through June 30, 2010.

Non-Forfeiture Analysis

Listings were requested of all life and annuity policies that were cash surrendered, placed on extended term insurance status, or converted to reduce paid-up insurance during the examination period. These listings were retrieved by a search of Illinois life policies that were either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

The examination period for the Non-Forfeiture Analysis was July 1, 2009 through June 30, 2010.

Policy Forms & Advertising Material Review

All policy forms, form letters, riders and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois Law. The examination period for the Policy Forms and Advertising Material Review was July 1, 2009 through June 30, 2010.

Insurance Department and Consumer Complaints

The Company was requested to provide all files relating to complaints received via the Department as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification by the complainant to the date of response to the Department. The examination period of this survey was July 1, 2009 through November 2, 2010.

SELECTION OF SAMPLE**Survey****Population****# Reviewed****% Reviewed****Producers Analysis**

Producers/Applications	219/945	219/945	100.00
Terminated Agents Review	0	0	0.00

Claims Analysis

Paid Individual Life	101	101	100.00
Denied Individual Life	2	2	100.00
Paid Individual Major Medical	7,424	116	01.56
Denied Individual Major Medical	5,557	111	01.99
Paid Individual Disability	9	9	100.00
Denied Individual Disability	3	3	100.00
Paid Cancer	2	2	100.00

Non-Forfeiture Analysis

Extended Term/Reduced Paid Up Insurance	61	61	100.00
Life Cash Surrenders	66	66	100.00

Policy Forms & Advertising

	174	174	100.00
--	-----	-----	--------

Complaint Analysis

Department of Insurance Complaints	9	9	100.00
Consumer Complaints	227	227	100.00

IV. FINDINGS

A. Producer Analysis

1. A review of the 219 producers and 945 commission payments produced no criticisms.
2. There were no agents terminated for cause during the survey period.

B. Claims Analysis

1. Paid Individual Life

A review of 101 Paid Individual Life claim files produced one (1) file or 1% of the Paid Individual Life claim files reviewed was criticized. An individual criticism was written under Section 5/224(1)(l) for failure to make payment of interest to the insured's beneficiary due to delayed claim payment in the amount of \$109.62. The Company agreed that it failed to make payment of interest to the insured's beneficiary due to delayed claim payment and issued a check in the amount of \$109.62 and mailed it to the beneficiary and furnished a copy to the Examiner.

The median for payment was seven (7) days.

2. Denied Individual Life

A review of two (2) Denied Individual Life claim files produced no criticisms.

The median for denial was 15 days.

3. Paid Individual Major Medical

A review of 116 Paid Individual Major Medical claim files produced no criticisms.

The median for payment was 17 days.

4. Denied Individual Major Medical

A review of 111 Denied Individual Major Medical claim files produced no criticisms.

The median for denial was 15 days.

5. Paid Individual Disability

A review of nine (9) Paid Individual Disability claim files produced no criticisms.

The median for payment was nine (9) days.

6. Denied Individual Disability

A review of three (3) Denied Individual Disability claim files produced no criticisms.

The median for denial was 14 days.

7. Paid Cancer

A review of two (2) Paid Cancer claim files produced no criticisms.

The median for payment was eight (8) days.

C. Non-Forfeiture Analysis

1. Life Cash Surrenders

A review of 66 Life Cash Surrender files produced no criticisms.

The median for payment was eight (8) days.

2. Extended Term/Reduced Paid Up Insurance

A review of 61 Extended Term/Reduced Paid Up Insurance files were reviewed and of those 61 files or 100% reviewed were criticized. A general trend criticism was written under Section 5/234.1 for failure to provide a Notice of Enactment of the Non-Forfeiture Options as required. The Company agreed that it failed to provide a Notice of Enactment of Non-Forfeiture Options as required.

D. Policy Forms & Advertising Material

A review of 174 policy forms and advertising brochures used during our survey period produced no criticisms.

E. Complaint Analysis

1. Department of Insurance Complaints

A review of nine (9) Department of Insurance Complaint files produced no criticisms.

The median for response was 17 days.

2. Consumer Complaints

A review of 227 Consumer Complaint files produced no criticisms.

The median for response was 31 days.

V. INTERRELATED FINDINGS

VI. TECHNICAL APPENDICES

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

UNITED SECURITY LIFE &
HEALTH INSURANCE COMPANY

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, UNITED SECURITY LIFE & HEALTH INSURANCE COMPANY (Company) is authorized under the insurance laws of this State and by the Director as domestic stock Company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an Examination report as an official document of the Department as a result of the Market Conduct examination; and

WHEREAS, said report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company are aware of and understand the various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understand and agree that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into the Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

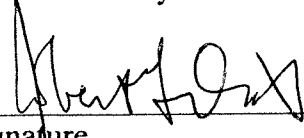
1. That the Market Conduct examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures whereby the Company makes payment of interest to the insured's beneficiary due to delayed claim payment as required by 215 ILCS 5/224(1)(1).
2. Institute and maintain procedures whereby the Company provides a Notice of Enactment of the Non-Forfeiture Options as required by 215 ILCS 5/234.1.
3. Submit to the Director, within 30 days, a civil forfeiture of \$2,000.00.
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) Orders within 30 days of the execution of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

United Security Life & Health Insurance Company:



Signature

Robert G. Dial

Name

Vice President/Secretary

Title

Subscribed and sworn to before me this


2nd day of July A. D. 2013.


Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

Date: July 12, 2013


Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 12, 2013

Mr. Robert G. Dial
Vice President/Secretary
United Security Life & Health Insurance
6640 South Cicero Ave.
Bedford Park, IL 60638

*sent via USPS certified mail
return receipt requested*

RE: United Security Life & Health Insurance
Market Conduct Examination

Dear Mr. Dial:

This is in response to your letter on July 3, 2013 in the above referenced matter. United Security Life & Health Insurance Company has provided proof of compliance with Orders # 1 through Order # 4 in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, the Department is closing its file on this examination. A copy of the fully executed Stipulation and Consent is enclosed for your records. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at 312-814-2420.

Yours Truly,

Louis Butler
Deputy General Counsel