

MARKET CONDUCT EXAMINATION

of the

AMERICAN HEALTH AND LIFE INSURANCE COMPANY

located in

FORT WORTH, TEXAS

as of

March 29, 2011

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES

**MARKET CONDUCT EXAMINATIONS and ANTI-FRAUD COMPLIANCE
SECTION**

REPORT ADOPTED: NOVEMBER 16, 2011

TABLE OF CONTENTS

I. INTRODUCTION.....	1
A. SCOPE OF EXAMINATION.....	1
B. ERROR RATIOS.....	1
C. COMPANY PROFILE.....	2
II. TERMINATIONS.....	3
A. INTRODUCTION.....	3
B. ERROR RATIOS.....	3
C. EXAMINERS' FINDINGS.....	3
III. COMPLAINTS.....	4
A. INTRODUCTION.....	4
B. COMPLAINT/LOG HANDLING.....	4
IV. SALES AND ADVERTISING.....	5
A. LICENSING OF SALES STAFF.....	5
B. MARKETING AND SALES.....	5
V. VERIFICATION PAGE.....	LAST PAGE

I. INTRODUCTION

This is a report of the Market Conduct activities of American Health and Life Insurance Company (hereinafter collectively referred to as American Health or the Company). In this report, examiners of the New Jersey Department of Banking and Insurance (NJDOBI) present their findings as a result of their examination.

A. SCOPE OF EXAMINATION

The purpose of this examination was to evaluate American Health and Life Insurance Company's compliance with certain regulations and statutes that pertain to credit life insurance. Areas of review included terminations, claim processing, complaints, sales, advertising and agent licensing. This examination covered the Company's New Jersey credit life business activities during the period of November 1, 2009 through October 31, 2010.

The examiners conducted their fieldwork at American Health's office in Fort Worth, Texas between February 28, 2011 and March 11, 2011. On various dates following the fieldwork, the examiners completed additional review work and report writing in Trenton, N.J. The Market Conduct Examiners were Examiner-in-Charge Robert Only and William Sonntag.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner's (NAIC) Market Regulation Handbook. The examiners used the NAIC Market Regulation Handbook, Chapters Sixteen (General Examination Standards), and Twenty-three (Conducting the Consumer Credit Examination), as a guide to examine the Company and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners' findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios. The examiners did not find any errors during this market conduct examination.

C. COMPANY PROFILE

American Health and Life Insurance Company was incorporated on June 16, 1954 under the laws of the State of Maryland as Cavalier Life Insurance Company. The Company changed its name to American Health and Life Insurance Company on August 31, 1962. In 1998 the Company re-domesticated from Maryland to Fort Worth, Texas. American Health and Life Insurance Company began writing business in New Jersey in 1988 and has certificates of authorities in all states except New York.

The Company's authorized product lines are life, health (disability/accident and sickness) and credit life. Credit life and disability insurance are the Company's primary product lines that are actively marketed through CitiFinancial Services, Inc. The Company's inforce population for the review period included 10,049 credit life single premium policies, 651 credit life monthly premium policies and 12,729 credit accident and health policies.

II. TERMINATIONS

A. INTRODUCTION

N.J.A.C. 11:2-3.20(a) and N.J.S.A. 17B:29-8b state that, in the event of termination of insurance prior to the scheduled maturity date of indebtedness due to loan prepayment, an insurer must promptly refund any unearned premium to the insured debtor. During the review period of November 1, 2009 to October 31, 2010, American Health and Life Insurance Company had 4,228 files that were terminated prior to the scheduled maturity date. In order to test for compliance with the aforementioned requirements, the examiners reviewed 110 terminated files. Error ratios and the examiners' findings regarding premium refunds are outlined below.

B. ERROR RATIOS

The examiners calculated error ratios for the termination review by applying the procedure outlined in the introduction of this report. The following chart itemizes the review sample, the number of errors and the error ratio.

<u>Type of Review</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
Mid Term Cancellations	110	0	0

C. EXAMINERS' FINDINGS

The Company stated that whenever a loan account with insurance coverage is paid off prior to the scheduled maturity date, a refund of unearned premium is made on the customer's behalf, either via paper check or by applying a credit to the customer's loan balance. The lender's loan system automatically calculates the premium refund based on the refund method reflected in the certificate of insurance approved by the applicable state insurance department. A non-monetary file feed is transmitted from the lender to American Health and Life Insurance Company. The insurance cancellation and premium refund is recorded and transferred to the Company's system.

The examiners were able to confirm the Company's premium refund procedures mentioned above after reviewing 110 files. The examiners found no errors in this review since the Company was in compliance with applicable statutes and regulations.

III. COMPLAINTS

A. INTRODUCTION

During the review period of November 1, 2009 to October 31, 2010, no complaints were filed against the company. One complaint was filed against the company prior to the review period, on June 16, 2009. In reviewing that complaint, the examiners checked for compliance with **N.J.A.C. 11:2-17.6(d)** and **(e)** (rules for responding to pertinent communications) and **N.J.S.A. 17:29B-4** (complaint handling procedures). The examiners' findings are outlined in section B below.

B. COMPLAINT LOG/HANDLING

The Company's complaint log and handling of the complaint was reviewed for compliance. The Company listed all of the required headings on the complaint log and entered the information pertaining to the June 16, 2009 complaint. The complaint involved the deceased insured's estate request for credit life death benefits. On November 8, 2007, the insured obtained a personal loan in the amount of \$17,423.40 payable in five years from CitiFinancial Services with credit life coverage. After the insured's death on January 19, 2009, which was within the 2-year contestability period, the Company requested the insured's medical records. The records disclosed that the insured had a history of heart disease and diabetes prior to the loan and credit life coverage. This was contrary to the insured's "no" answer on the application indicating that he had not been diagnosed or treated for any disease or disorder of the heart within the five years prior to the effective date of insurance. The policy was rescinded as the insured was ineligible for coverage. The complaint was adequately handled and concluded within the required timeframe. The examiners found no errors in this review.

IV. SALES AND ADVERTISING

A. LICENSING OF SALES STAFF

According to N.J.S.A. 17:22A-26 et seq. and N.J.A.C. 11:17-1 through N.J.A.C. 11:17E-1, a person shall not sell, solicit or negotiate insurance in this State unless the person is licensed for a specific line or lines of authority. American Health and Life Insurance Company provided the examiners with a list of 128 agents who sell insurance for the Company in New Jersey. The examiners found no errors in this review.

B. MARKETING AND SALES

Pursuant to N.J.S.A. 17:29B-4(2), insurers are prohibited from “Making, publishing, disseminating, circulating, or placing before the public...in the form of a notice, circular, pamphlet, letter...or in any other way, an advertisement, announcement or statement containing any assertion...which is untrue, deceptive or misleading.” In addition, advertising was checked for compliance with the requirements of N.J.A.C. 11:2-23 et seq.

The examiners reviewed the Company’s credit life insurance advertisement brochure. This advertising brochure is available for customers to review in the lender’s branch locations and printed with the loan documents if the customer elects coverage. The Company does not use direct mailing, internet or media resources to promote its products. The examiners found no errors in this review.

According to the Company, optional credit insurance products are made available with personal and real estate loans offered exclusively through CitiFinancial Services. Employees of CitiFinancial, the lender and group master policyholder, enroll loan customers choosing the optional insurance coverage under the group master policy. This process takes place at one of the CitiFinancial branch offices during the loan application process and involves completing an insurance application. The application is reviewed, and if accepted, the borrower is given a creditor-debtor certificate for decreasing term life insurance benefits at the time of loan closing.

V. VERIFICATION PAGE

I, Robert J. Only, am the Examiner-in-Charge of the Market Conduct Examination of American Health and Life Insurance Company conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of American Health and Life Insurance Company as of March 29, 2011.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

Date

Robert J. Only
Examiner-In-Charge
New Jersey Department
of Banking and Insurance