

1 CALIFORNIA DEPARTMENT OF INSURANCE
2 LEGAL DIVISION

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9 California Department of Insurance

10 **BEFORE THE INSURANCE COMMISSIONER**
11 **OF THE STATE OF CALIFORNIA**
12 **SAN FRANCISCO**

13 In the Matter of the Certificate of Authority
14 of:

15 GLOBE LIFE and ACCIDENT
16 INSURANCE COMPANY;
17 AMERICAN INCOME LIFE INSURANCE
18 COMPANY;
19 LIBERTY NATIONAL LIFE INSURANCE
20 COMPANY;
21 UNITED AMERICAN INSURANCE
22 COMPANY;
23 UNITED INVESTORS LIFE INSURANCE
24 COMPANY,

25 Respondents.

CDI File No. UPA-2008-00017

ORDER TO SHOW CAUSE
(Insurance Code §§ 790.03, 790.05, and
790.06, and California Code of Regulations,
Title 10, Chapter 5, §§ 2695.1 et seq.);

ACCUSATION
(Insurance Code §§ 704, 790.02, 790.03,
790.05, 790.06, 1879.2, 10111.2(c), 10172.5,
10198.7(a), 10232.92, 10232.95, and California
Code of Regulations, Title 10, Chapter 5, §§
2695.1 et seq.);

NOTICE OF NONCOMPLIANCE AND
HEARING
(Insurance Code §§ 704, 790.02, 790.03,
790.05, 790.06, 1879.2, 10111.2(c), 10172.5,
10198.7(a), 10232.92, 10232.95, and California
Code of Regulations, Title 10, Chapter 5, §§
2695.1 et seq.);

DEMAND
(Insurance Code §§ 704, 790.035, 790.08,
10234.2, 10234.3, 10234.4, and 12976).

1 6. GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN, and
2 UNITED INVESTORS are or were, during the relevant time period, principal subsidiaries of
3 TORCHMARK CORPORATION, a holding company incorporated in Delaware (collectively
4 “TORCHMARK COMPANIES”).
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6 7. On or about September, 2006, the California Department of Insurance’s
7 (“Department”) Field Claims Bureau commenced a Market Conduct examination of the claims
8 practices and procedures in California of GLOBE, AMERICAN INCOME, LIBERTY, UNITED
9 AMERICAN and UNITED INVESTORS, pursuant to California Insurance Code §§ 730, 733 and
10 735.5, to determine whether the TORCHMARK COMPANIES’ denial of claims and claims
11 handling practices during the period from July 16, 2005 to July 15, 2006 conformed to its
12 contractual obligations and applicable law. The examination occurred at the offices of the
13 TORCHMARK COMPANIES in Oklahoma City, Oklahoma, McKinney, Texas, and Waco,
14 Texas. The investigation included an examination of claims files and related records involving
15 Individual and Group disability insurance products, including Medicare Supplements, Cancer,
16 Individual and Group life insurance products, including annuities; and
17 and Long-Term Care, and Individual and Group life insurance products, including annuities; and
18 an examination of the companies’ guidelines, policies and procedures, training plans, and forms
19 adopted by the companies for use in California.
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21 8. The Department’s Public Report of the Market Conduct Examination As of July
22 15, 2006 stated the manner and extent to which GLOBE, AMERICAN INCOME, LIBERTY,
23 UNITED AMERICAN, and UNITED INVESTORS’ noncompliance with Insurance Code
24 §790.03 and California Code of Regulations, title 10, §§ 2695.1 et seq. (attached hereto as Exhibit
25 1) is alleged, and specified a reasonable time thereafter in which such noncompliance may be
26 corrected.
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1 9. The Department's Report of the Market Conduct Examination As of July 15, 2006
2 stated the manner and extent to which GLOBE, AMERICAN INCOME, LIBERTY, UNITED
3 AMERICAN, and UNITED INVESTORS' noncompliance with violations of laws other than
4 § 790.03 and California Code of Regulations, title 10, §§ 2695.1 et seq. is alleged (attached hereto
5 as Exhibit 2), and specified a reasonable time thereafter in which such noncompliance may be
6 corrected.
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8 10. The Department's Claims Services Bureau has also undertaken an investigation of
9 consumer complaints involving the TORCHMARK COMPANIES, pursuant to California
10 Insurance Code §§ 735.5 and 12919, reviewed by the Department between July 16, 2005 and July
11 16, 2006, regarding claims handling for the lines of business covered in the examination reports
12 As of July 15, 2006.
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14 11. The Department's Field Claims Bureau had previously conducted an examination
15 of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN, and UNITED
16 INVESTORS regarding its claims practices and procedures in California during the period of
17 April 1, 2001 through March 31, 2002. The examination was conducted in company offices in
18 Oklahoma City, Oklahoma and Waco, Texas. The Department's reports of the previous
19 examination, denominated As of March 31, 2002, detailed the manner and extent to which
20 GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN, and UNITED
21 INVESTORS' noncompliance with Insurance Code § 790.03 and California Code of Regulations,
22 title 10, §§2695.1 et seq. (attached hereto as Exhibit 3), and other provisions of the Insurance
23 Code (attached hereto as Exhibit 4), is alleged. The previous examination covered the same lines
24 of business as the subsequent examination in the Department's reports denominated As of July
25 15, 2006.
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1 12. California Insurance Code § 700(c) provides that, after the issuance of a certificate
2 of authority, the holder must continue to comply with all requirements set forth in the Insurance
3 Code and all other applicable laws of this State.

4 13. California Insurance Code § 704(b) provides that the Commissioner may suspend
5 an insurer's certificate of authority, after hearing, for not carrying out its contracts in good faith.
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7 14. California Insurance Code § 704(c) provides that the Commissioner may suspend
8 an insurer's certificate of authority for a period not exceeding one year, after hearing, for
9 habitually and as a matter of ordinary practice and custom compelling claimants to either accept
10 less than the amount due under terms of the policies or resort to litigation against such insurer to
11 secure the payment of the amount due.

12 15. California Insurance Code §§ 730, 733, 734, and 790.04 authorize the
13 Commissioner access to all records of an insurer and the power to examine the affairs of every
14 person engaged in the business of insurance to determine if such person violated certain
15 provisions of the Insurance Code.
16

17 16. California Insurance Code § 790.02 prohibits any insurer from engaging in this
18 State "in any trade practice which is ... an unfair method of competition or an unfair or deceptive
19 act or practice in the business of insurance."
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21 17. California Insurance Code § 790.03 defines unfair methods of competition and
22 unfair and deceptive acts or practices in the business of insurance. Section 790.03(h) enumerates
23 sixteen (16) claims settlement practices that, when either knowingly committed on a single
24 occasion, or performed with such frequency as to indicate a general business practice, are
25 considered to be unfair claims settlement practices, and are thus prohibited.

26 18. California Insurance Code §790.03(e) prohibits any insurer from making a false
27 statement with intent to deceive any examiner or any public official who has authority to examine
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1 into any of its affairs, or, with like intent, willfully omitting to make a true entry of any material
2 fact pertaining to the business of the insurer in any book, report, or statement of the insurer.

3 19. California Insurance Code § 790.035 provides that any person who engages in any
4 unfair method of competition or any unfair or deceptive act or practice defined in § 790.03 is
5 liable to the state for a civil penalty not to exceed five thousand dollars (\$5,000) for each act, or,
6 if the act or practice was willful, a civil penalty not to exceed ten thousand dollars (\$10,000) for
7 each act. The commissioner shall have the discretion to establish what constitutes an act.

9 20. California Insurance Code § 790.06 provides for the prosecution of unfair methods
10 of competition and unfair and deceptive acts or practices in the business of insurance that are not
11 defined in §790.03.

12 21. California Insurance Code § 790.08 states that “The powers vested in the
13 commissioner in this article shall be additional to any other powers to enforce any penalties, fines
14 or forfeitures, denials, suspensions or revocation of licenses or certificates authorized by law with
15 respect to the methods, acts and practices hereby declared to be unfair or deceptive.”

17 22. California Insurance Code § 1879.2 requires an insurer to include a statutory fraud
18 warning on its insurance claims forms.

19 23. California Insurance Code § 10111.2(c) requires that “When the insurer has
20 received all information needed to determine liability for a claim, and the insurer determines that
21 liability exists and fails to make payment of benefits to the insured within 30 calendar days after
22 the insurer has received that information, any delayed payment shall bear interest, beginning the
23 31st calendar day, at the rate of 10 percent per year. Liability shall, in all cases, be determined by
24 the insurer within 30 calendar days of receiving all information set out in the insurer’s written
25 notification to the insured.”
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1 24. California Insurance Code § 10172.5 requires an insurer to pay interest on a claim
2 under any policy of life insurance that remains unpaid longer than 30 days from the date of death
3 of the insured. If interest becomes payable, an insurer is required to notify the named beneficiary
4 that interest will be paid on the proceeds of the policy and the rate of interest.
5

6 25. California Insurance Code § 10198.7(a) prohibits an insurer from excluding
7 coverage on the basis of a preexisting condition provision for a period greater than six months
8 following the individual's effective date of coverage.

9 26. California Insurance Code § 10232.92 requires that all expenses incurred while
10 confined in a residential care facility for long-term care services that are necessary diagnostic,
11 preventative, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance
12 or personal care services needed to assist the insured with the disabling condition shall be covered
13 and payable up to the maximum daily facility benefit of the policy.
14

15 27. California Insurance Code § 10232.95 provides that every long-term care policy
16 that provides reimbursement for care in a nursing facility shall cover and reimburse for per diem
17 expenses, as well as the costs of ancillary supplies and services, up to the maximum lifetime daily
18 facility benefit of the policy.

19 28. California Insurance Code § 10234.2 authorizes the commissioner, in addition to
20 all other powers and remedies vested in the commissioner, to assess administrative penalties for
21 violation of any provision in Chapter 2.6 Long-Term Care Insurance (commencing with § 10231
22 of the Insurance Code). California Insurance Code § 10234.3 provides that any insurer that
23 violates the chapter is liable for an administrative penalty of not less than five thousand dollars
24 (\$5,000) for each first violation and not less than ten thousand dollars (\$10,000) for each
25 subsequent or knowing violation. The penalty for violating this chapter in a manner indicating a
26 general business practice shall reflect the magnitude of the violation against the public interest
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1 and shall be not less than ten thousand dollars (\$10,000) and not more than five hundred thousand
2 dollars (\$500,000).

3 29. California Insurance Code § 10234.4 provides that, upon determination of a
4 violation of this chapter, in addition to the assessment of penalties and other applicable remedies,
5 the commissioner may suspend an insurer's certificate of authority to transact disability insurance
6 and/or order the insurer to cease marketing a particular policy form of long-term care insurance or
7 any long-term care insurance.
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9 30. California Code of Regulations ("CCR"), title 10, chapter 5, subchapter 7.5,
10 Article I contains Fair Claims Settlement Practices Regulations "to promote the good faith,
11 prompt, efficient and equitable settlement of claims." These regulations delineate certain
12 minimum standards for the settlement of claims which, when violated knowingly on a single
13 occasion or performed with such frequency as to indicate a general business practice, shall
14 constitute an unfair claims settlement practice within the meaning of Insurance Code § 790.03(h).
15 Other acts or practices not specifically delineated in this set of regulations may also be unfair
16 claims settlement practices subject to Insurance Code § 790.03. All licensees are required to have
17 thorough knowledge of such regulations.
18

19 31. California Code of Regulations, title 10, § 2695.1(f), provides that "Policy
20 provisions relating to the investigation, processing and settlement of claims shall be consistent
21 with or more favorable to the insured than the provisions of these regulations."
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23 32. California Code of Regulations, title 10, § 2695.3(a) requires an insurer to
24 maintain in its claim files "all documents, notes, work papers (including copies of all
25 correspondence) which reasonably pertain to each claim in such detail that pertinent events and
26 the dates of the events can be reconstructed and the licensee's actions pertaining to the claim can
27 be determined."
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1 33. California Code of Regulations, title 10, § 2695.3(b)(1) requires an insurer to
2 maintain claim data that are accessible, legible, and retrievable for examination so that an insurer
3 shall be able to provide the claim number, line of coverage, date of loss and date of payment of
4 the claim, date of acceptance, denial or date closed without payment.

5 34. California Code of Regulations, title 10, § 2695.4(a) requires an insurer to disclose
6 all benefits, coverage, time limits or other provisions of the insurance policy that may apply to the
7 claim presented by the insured.

8 35. California Code of Regulations, title 10, § 2695.5(b) requires an insurer to respond
9 to any communication from a claimant regarding a claim within fifteen (15) calendar days after
10 receipt of the communication, furnishing the claimant with a complete response.

11 36. California Code of Regulations, title 10, § 2695.5(e)(2) requires an insurer, upon
12 receiving notice of a claim, to immediately, but in no event more than fifteen (15) calendar days
13 later, provide the insured with necessary forms, instructions, and reasonable assistance.

14 37. California Code of Regulations, title 10, § 2695.6(b) requires all insurers to
15 “provide thorough and adequate training regarding the regulations to all their claims agents” and
16 requires annual certification of such training.

17 38. California Code of Regulations, title 10, § 2695.7(b) requires an insurer to accept
18 or deny the claim within forty (40) calendar days upon receiving proof of claim.

19 39. California Code of Regulations, title 10, § 2695.7(b)(1) requires an insurer to
20 provide, in writing, the reasons for denial of a claim and the factual and legal basis for each
21 reason.

22 40. California Code of Regulations, title 10, § 2695.7(b)(3) requires an insurer to
23 include a statement in its claim denial that, if the claimant believes all or part of the claim has
24 been wrongfully denied or rejected, he or she may have the matter reviewed by the California
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1 Department of Insurance, and shall include the address and telephone number of the unit of the
2 Department which reviews claims practices.

3 41. California Code of Regulations, title 10, § 2695.7(c)(1) requires an insurer, if more
4 time is required to make a claim determination than allotted in §2695.7(b), to provide written
5 notice of the need for additional time specifying any additional information the insurer requires to
6 make a determination and state any continuing reasons for its inability to make a determination.
7 Thereafter, the written notice shall be provided every thirty (30) calendar days until a
8 determination is made.
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10 42. California Code of Regulations, title 10, § 2695.7(d) provides that every insurer
11 must conduct and diligently pursue a thorough, fair and objective investigation and shall not
12 persist in seeking information not reasonably required or material to the resolution of a claim
13 dispute.
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15 43. California Code of Regulations, title 10, § 2695.7(g) prohibits an insurer from
16 attempting to settle a claim by making a settlement offer that is unreasonably low.

17 44. California Code of Regulations, title 10, § 2695.7(h) requires an insurer, upon
18 acceptance of the claim, to tender payment within thirty (30) calendar days.

19 45. California Code of Regulations, title 10, § 2695.11(b) requires an insurer to
20 provide a clear explanation of the computation of benefits.
21

22 **FACTUAL ALLEGATIONS**

23 46. On or about September 2006, the Department conducted a Market Conduct
24 examination of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN, and
25 UNITED INVESTORS' claims handling practices during the period of July 16, 2005 to July 15,
26 2006. The examination focused primarily on whether the TORCHMARK COMPANIES' claims
27 handling and claims settlement practices were effectuated promptly, fairly, and equitably, in
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1 conformance with contractual obligations and California law. The Department's examination
2 reports As of July 15, 2006 stated the manner and extent of alleged noncompliance.

3 47. On or about June 2002, the Department had previously commenced a Market
4 Conduct examination of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN,
5 and UNITED INVESTORS' claims handling practices during the period of April 1, 2001 through
6 March 31, 2002. The examination focused primarily on whether the Companies' claims handling
7 and claims settlement practices were effectuated promptly, fairly, and equitably, in conformance
8 with contractual obligations and California law. The Department's examination reports As of
9 March 31, 2002 stated the manner and extent of alleged noncompliance. The examination
10 covered the same lines of business as covered in the Department's subsequent examination report
11 As of July 15, 2006.
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13 48. During the Market Conduct examination As of July 15, 2006, the examiners
14 reviewed six hundred seventy-four (674) claims files of the TORCHMARK COMPANIES
15 involving Individual and Group disability insurance products, including Medicare Supplements,
16 Cancer, and Long-Term Care, and Individual and Group life insurance products, including
17 annuities.
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19 49. Based on the examination, the Department alleged that GLOBE, AMERICAN
20 INCOME, LIBERTY, UNITED AMERICAN, and UNITED INVESTORS engaged in the
21 following six hundred ninety-seven (697) unfair or deceptive acts or practices, in violation of
22 California Insurance Code § 790.03 and/or the Fair Claims Settlement Practices Regulations, as
23 more fully described in the Market Conduct Reports as of July 15, 2006 (Exhibits 1 and 2):
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UNFAIR CLAIMS PRACTICES

Failure to Disclose Policy Provisions and Benefits

50. In one hundred (100) instances, the Department alleged that TORCHMARK COMPANIES failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy that may apply to the claim presented, in violation of California Code of Regulations, title 10, § 2695.4(a). As examples, the report cited omissions or inconsistencies in disclosing daily or periodic benefit rates for various levels of care, any elimination period, maximum benefit periods, prescription drug benefits, bonus or inflation benefit riders, and other provisions affecting the determination of benefits. The failure to make such disclosures involved disability policies. Out of the 100 cited instances, the alleged violations were allocated, as follows:

- a. The Department alleged that AMERICAN INCOME failed to disclose all benefits or other pertinent policy provisions in fifty-seven (57) instances, in violation of CCR, title 10, § 2695.4(a);
- b. The Department alleged that UNITED AMERICAN failed to disclose all benefits or other pertinent policy provisions in forty-one (41) instances, in violation of CCR, title 10, § 2695.4(a);
- c. The Department alleged that GLOBE failed to disclose all benefits or other pertinent policy provisions in two (2) instances, in violation of CCR, title 10, § 2695.4(a).

Failure to Provide an Explanation of Benefits

51. In one hundred thirty (130) instances, the Department alleged that TORCHMARK COMPANIES failed to provide to the claimant an explanation of benefits including the name of the provider or services covered, dates of service, and a clear explanation of the computation of

1 benefits, in violation of California Code of Regulations (“CCR”), title 10, § 2695.11(b). As
2 examples of deficiencies, the report cited the failure to identify and explain unpaid invoices, the
3 failure to explain reduction of benefits as a Medicare offset, the failure to clarify maximum
4 benefit limits, and inadequate or mismatched description of benefits and incurred amounts. The
5 deficiencies involved disability and Long-Term Care policies and an annuity contract.
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7 TORCHMARK COMPANIES were previously cited for such violations in the Department’s
8 Market Conduct examination As Of March 31, 2002. Out of the 130 instances alleged, the
9 violations were allocated, as follows:

- 10 a. The Department alleged that UNITED AMERICAN failed to provide an
11 explanation of benefits with a clear explanation of the computation of
12 benefits in seventy-six (76) instances, in violation of CCR, title 10, §
13 2695.11(b). These alleged violations involved Long-Term Care policies;
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- 15 b. The Department alleged that AMERICAN INCOME failed to provide an
16 explanation of benefits with a clear explanation of the computation of
17 benefits in fifty-two (52) instances, in violation of CCR, title 10, §
18 2695.11(b);
- 19 c. The Department alleged that GLOBE failed to provide an explanation of
20 benefits with a clear explanation of the computation of benefits in one (1)
21 instance, in violation of CCR, title 10, § 2695.11(b);
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- 23 d. The Department alleged that UNITED INVESTORS failed to provide an
24 explanation of benefits with a clear explanation of the computation of
25 benefits in one (1) instance, in violation of CCR, title 10, § 2695.11(b).

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1 yet the Companies failed to provide a basis for the denial, failed to address the specific charges
2 that were denied and/or failed to send a denial notice to the insured. TORCHMARK
3 COMPANIES were previously cited for violations of CCR, title 10, § 2695.7(b)(1) in the
4 Department's Market Conduct Examination As of March 31, 2002. Out of the 85 instances cited,
5 the alleged violations were allocated, as follows:
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- 7 a. The Department alleged that UNITED AMERICAN failed to provide a
8 written denial of a claim and the factual and legal basis for each reason
9 given for the claim denial in sixty (60) instances, in violation of CCR, title
10 10, § 2695.7(b)(1);
11 b. The Department alleged that AMERICAN INCOME failed to provide a
12 written denial of a claim and the factual and legal basis for each reason
13 given for the claim denial in twenty-three (23) instances, in violation of
14 CCR, title 10, § 2695.7(b)(1);
15 c. The Department alleged that GLOBE failed to provide a written denial of a
16 claim and the factual and legal basis for each reason given for the claim
17 denial in two (2) instances, in violation of CCR, title 10, § 2695.7(b)(1).
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19 Failure to Effectuate Prompt, Fair and Equitable Settlement of Claims
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21 54. In five (5) instances, the Department alleged that AMERICAN INCOME
22 attempted to settle a claim by making a settlement offer that is unreasonably low despite evidence
23 submitted by the claimant to support the value of the claim, in violation of CCR, title 10,
24 § 2695.7(g). As a general business practice, AMERICAN INCOME unilaterally adopted a
25 practice not to pay for all surgical supplies covered under the insured's policy. Instead of paying
26 customary and reasonable charges for surgical supplies, AMERICAN INCOME limited payments
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1 for surgical dressings and supplies for the day of surgery only, in nonconformance with policy
2 provisions.

3 55. In twenty-seven (27) other instances, the Department alleged that TORCHMARK
4 COMPANIES attempted to settle a claim by making a settlement offer that is unreasonably low
5 despite evidence submitted by the claimant to support the value of the claim, in violation of CCR,
6 title 10, § 2695.7(g). The Companies underpaid and/or failed to pay benefits under Surgical,
7 Cancer, Long-Term Care, and Income Disability policies, as follows:
8

9 a. In seven (7) instances, the Companies failed to pay qualified cancer benefits and
10 defined benefits such as for EKG, hypodermics, drugs, surgical dressings and supplies,
11 and anesthesia;

12 b. In two (2) instances, the Companies failed to pay room charges under Long-Term
13 Care benefits, required by California Insurance Code § 10232.92 and/or § 10232.95. Such
14 violations are subject to additional penalties and remedies, pursuant to California
15 Insurance Code § 10234.2.
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17 c. In eighteen (18) other instances, the Companies failed to pay maximum limits on
18 EKG and antibiotics, failed to pay physician call charges, underpaid disability benefits,
19 failed to pay eligible benefits such as surgical benefits, anesthesia, laboratory, x-rays, and
20 medicines, failed to apply a Good Risk provision benefit on a cancer policy, and
21 incorrectly bundled benefits for a lower settlement amount. Out of the 27 instances cited,
22 the alleged violations were allocated, as follows:
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24 (1) The Department alleged that AMERICAN INCOME attempted to settle a
25 claim by making a settlement offer that is unreasonably low in twenty-two (22)
26 instances, in violation of CCR, title 10, § 2695.7(g);
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1 (2) The Department alleged that UNITED AMERICAN attempted to settle a
2 claim by making a settlement offer that is unreasonably low in four (4) instances,
3 in violation of CCR, title 10, § 2695.7(g);

4 (3) The Department alleged that GLOBE in at least one (1) instance attempted
5 to settle a claim by making a settlement offer that is unreasonably low, in violation
6 of CCR, title 10, § 2695.7(g).
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8 As a result of these findings, the Companies paid an additional \$18,911.28 to policyholders
9 identified in the examination sample files.

10 56. In twenty-six (26) instances, the Department alleged that TORCHMARK
11 COMPANIES failed to effectuate prompt, fair and equitable settlement of claims in which
12 liability had become reasonably clear, in violation of CIC § 790.03(h)(5). As examples,

13 a. In sixteen (16) instances, UNITED AMERICAN unilaterally “re-priced” actual
14 charges and/or discounted charges for healthcare services, including charges for room and
15 board, by ten to twenty percent (10% to 20%) instead of paying reasonable and customary
16 charges as provided by policy provisions, resulting in reduced benefits to policyholders.
17 The Department alleged that TORCHMARK COMPANIES followed a general claims
18 processing practice of discounting charges by the same percentage as discounts it had
19 contracted for in non-insurance programs even though the discounts did not apply to the
20 insurance programs. In other instances, UNITED AMERICAN discounted charges in the
21 same amount as in contracts entered into by third party networks even though
22 TORCHMARK COMPANIES did not have direct contracts with the discounted
23 providers. TORCHMARK COMPANIES did not ensure that policyholders were not
24 responsible for the difference as a result of the discounts.
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1 b. In at least one (1) instance, and alleged as a general business practice,
2 AMERICAN INCOME failed to pay the usual and customary charge for knee prosthetic
3 implants and joint implants. Instead, the company utilized an informal, unverified, and
4 general internet search by an adjuster to come up with a price for the implant, without any
5 quality or suitability verification, rather than utilize standardized published medical data
6 and pricing guidelines. AMERICAN INCOME only paid \$4,050 for a joint implant rather
7 than the charge of \$33,804, without validating the actual cost of the implant device with
8 the correct model number and manufacturer's information.

10 c. In at least one (1) instance, AMERICAN INCOME denied payments using an
11 incorrect maximum limit.

12 d. In at least one (1) instance, UNITED AMERICAN reduced benefits on a Long-
13 Term Care policy claim for the first 20 days as a Medicare offset, without verifying that
14 Medicare had remitted payment. In this instance, and alleged as a general business
15 practice, UNITED AMERICAN failed to adopt procedures to consistently verify
16 Medicare remittances before reducing benefit payments for skilled nursing facility
17 expenses. Violations of California Insurance Code § 10232.92 and/or § 10232.95 covering
18 Long-Term Care policies are subject to additional penalties and remedies, pursuant to
19 California Insurance Code § 10234.2.

22 e. In six (6) other instances, UNITED AMERICAN deemed valid charges ineligible
23 as covered benefits, and delayed the application of premium benefits.

24 f. In at least one (1) instance, GLOBE failed to apply a Good Risk provision benefit
25 under a cancer policy.

26 Out of the 26 instances cited, the alleged violations were allocated as follows:
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1 (1) The Department alleged that UNITED AMERICAN failed to attempt in
2 good faith to effectuate prompt, fair and equitable settlements in twenty-
3 three (23) instances, in violation of CIC § 790.03(h)(5);

4 (2) The Department alleged that AMERICAN INCOME failed to attempt in
5 good faith to effectuate prompt, fair and equitable settlements in two (2) instances,
6 in violation of CIC § 790.03(h)(5);

7 (3) The Department alleged that GLOBE failed to attempt in good faith to
8 effectuate prompt, fair and equitable settlements in one (1) instance, in violation of
9 CIC § 790.03(h)(5).
10

11 Failure to Conduct Thorough, Fair, and Objective Investigation

12 57. In five (5) instances, the Department alleged that AMERICAN INCOME failed to
13 conduct and diligently pursue a thorough, fair and objective investigation of a claim, in violation
14 of CCR, title 10, § 2695.7(d). As examples, in three instances, the Company persisted in seeking
15 information from the claimant not reasonably required or material to the resolution of a claim
16 dispute or reasonably known by the claimant. AMERICAN INCOME required the claimants to
17 provide the surgical procedure code; produce verification that the hospital met hospital facilities
18 requirements; and required the claimant to provide the manufacturer and model information on a
19 prosthetic device. In determining payments for prosthetic devices, the Companies utilized an
20 unverified general Internet search for lowest pricing rather than matching models, geographic
21 region or other pertinent search parameters from a published medical database of reasonable and
22 customary charges, thus reducing benefit payments to the insureds.
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24 Failure to Tender Payment Within Regulatory Requirements

25 58. In two (2) instances, the Department alleged that AMERICAN INCOME failed,
26 upon acceptance of the claim, to tender payment within thirty calendar days, in violation of CCR,
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1 title 10, § 2695.7(h). In two separate instances, the Companies failed to pay hospital confinement
2 benefits and emergency accident benefits within regulatory timeframes. AMERICAN INCOME
3 agreed with the findings and made additional payments to claimants in the amount of \$488.19.

4 Failure to Provide Written Notice of the Need for Additional Time to Make Determination

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6 59. In two (2) instances, the Department alleged that TORCHMARK COMPANIES
7 failed to provide written notice to the claimant/beneficiary, within the specified statutory
8 timeframe, of the need for additional time to determine whether a claim will be accepted or
9 denied, and thereafter every thirty calendar days, and failed to specify any additional information
10 the insurer requires to make a determination and state any continuing reasons for the insurer's
11 inability to make a determination, in violation of CCR, title 10, § 2695.7(c)(1). In one instance,
12 the Company failed to specify any additional information the Company required to make a claim
13 determination or state any continuing reason for its inability to make a determination. In another
14 instance, the Company failed to send a status notice to the life beneficiary stating the reason for a
15 48-day delay in determining coverage. TORCHMARK COMPANIES were previously cited for
16 violations of CCR, title 10, § 2695.7(c)(1) in the Department's Market Conduct Examination As
17 of March 31, 2002. Of the two instances cited, the Department alleged one violation of CCR, title
18 10, § 2695.7(c)(1) each against AMERICAN INCOME and GLOBE.

19
20 Failure to Accept or Deny Claim Within Regulatory Timelines

21
22 60. In one (1) instance, the Department alleged that GLOBE failed to accept or deny
23 the claim within forty (40) days of receiving proof of the claim, in violation of CCR, title 10,
24 §2695.7(b). Additionally, alleged as a general business practice, TORCHMARK COMPANIES
25 failed to accept or deny the claim within statutory timeframes each time its Explanation of
26 Benefits failed to indicate denial of each and every claim for services not paid, in violation of
27 CCR, title 10, §2695.7(b).
28

1 Failure to Provide Necessary Forms, Instructions and Assistance

2 61. In three (3) instances, the Department alleged that GLOBE failed to provide
3 necessary forms, instructions, and reasonable assistance to claimants/beneficiaries within 15
4 calendar days, in violation of CCR, title 10, § 2695.5(e)(2).
5

6 Failure to Respond to Claimant Within Regulatory Timelines

7 62. In one (1) instance, the Department alleged that AMERICAN INCOME failed to
8 respond to a claimant within 15 calendar days upon receipt of a communication regarding a
9 claim, in violation of CCR, title 10, § 2695.5(b).

10 Failure to Maintain Required Claim Documentation

11 63. In fifteen (15) instances, the Department alleged that TORCHMARK
12 COMPANIES failed to maintain all documents, notes, correspondence, and work papers which
13 reasonably pertain to each claim in such detail that pertinent events and the dates of the events
14 can be reconstructed and the licensee's actions pertaining to the claim can be determined, in
15 violation of CCR, title 10, § 2695.3(a). As examples, in fourteen (14) instances, the Companies
16 could not locate a copy of the application and declaration page of policies for verification of
17 benefits, copies of claims denial letters, Medicare Remittance Summary/Advice, or
18 documentation to support Medicare offsets. Out of the 15 instances cited, the alleged violations
19 were allocated, as follows:
20

- 21
- 22 a. The Department alleged that UNITED AMERICAN failed to maintain all
23 documents, notes, correspondence, and work papers in claims files in
24 eleven (11) instances, in violation of CCR, title 10, §2695.3(a);
 - 25 b. The Department alleged that AMERICAN INCOME failed to maintain all
26 documents, notes, correspondence, and work papers in claims files in three
27 (3) instances, in violation of CCR, title 10, §2695.3(a);
28

1 c. The Department alleged that GLOBE failed to maintain all documents,
2 notes, correspondence, and work papers in claims files in one (1) instance,
3 in violation of CCR, title 10, § 2695.3(a).

4 Failure to Adopt and Implement Reasonable Standards for Prompt Investigation
5 and Processing of Claims

6 64. In six (6) instances, the Department alleged that TORCHMARK COMPANIES
7 failed to adopt and implement reasonable standards for the prompt investigation and processing of
8 claims arising under its insurance policies, in violation of California Insurance Code
9 § 790.03(h)(3). As examples, a life settlement check was issued to an incorrect payee. In one
10 instance, the Company submitted an incorrect report of annuity settlement proceeds to the
11 Internal Revenue Service. In another instance, the Companies placed claims on its pending list
12 for up to 16 months without monitoring, follow-up, or appropriate closing procedures. In another
13 instance, the Company failed to investigate and pay a claim without any file activity for 58 days.
14 Out of the 6 instances cited, the alleged violations were allocated, as follows:
15

16 a. The Department alleged that AMERICAN INCOME failed to adopt and
17 implement reasonable standards for the prompt investigation and
18 processing of claims in four (4) instances, in violation of California
19 Insurance Code § 790.03(h)(3);

20 b. The Department alleged that UNITED AMERICAN failed to adopt and
21 implement reasonable standards for the prompt investigation and
22 processing of claims in one (1) instance, in violation of California
23 Insurance Code § 790.03(h)(3);

24 c. The Department alleged that UNITED INVESTORS failed to adopt and
25 implement reasonable standards for the prompt investigation and
26
27
28

1 processing of claims in one (1) instance, in violation of California
2 Insurance Code § 790.03(h)(3).

3 Failure to Maintain Accessible Claim Data

4
5 65. In one (1) instance, the Department alleged that AMERICAN INCOME failed to
6 maintain claim data that are accessible, legible and retrievable for examination so that an insurer
7 is able to provide the claim number, line of coverage, date of loss and date of payment of the
8 claim, date of acceptance, denial or date closed without payment for all open and closed files for
9 the current year and the four preceding years, in violation of CCR, title 10, § 2695.3(b)(1).
10 AMERICAN INCOME was not able to produce a requested claim file for the review period.

11 Misrepresentation of Pertinent Facts or Insurance Policy Provisions to Claimants

12
13 66. In four (4) instances, the Department alleged that TORCHMARK COMPANIES
14 failed to represent correctly to claimants pertinent facts or insurance policy provisions relating to
15 a coverage at issue, in violation of California Insurance Code § 790.03(h)(1). Two instances
16 involved Long-Term Care insurance products, in which the Companies notified claimants that
17 policy benefits are to be reduced by Medicaid payments although this information contradicts the
18 actual policy language which excludes Medicaid payments from any offsets. Violation of
19 California Insurance Code § 10232.95, requiring reimbursement of per diem expenses, up to
20 policy limits, for every long-term care policy is subject to additional penalties, pursuant to
21 California Insurance Code §10234.2. In another instance involving Cancer insurance, the
22 Company indicated that none of the health services rendered were for the treatment of cancer,
23 thus disqualifying the claim. However, treatment of the bladder tumor qualified as a scheduled
24 benefit under the policy. In another instance, the insured was notified that the maximum period
25 and maximum limits were exhausted on a policy as of December 19, 2005 when actual benefits
26
27
28

1 were not set to expire until February 25, 2006. Of the 4 instances, the alleged violations were
2 allocated, as follows:

- 3 a. The Department alleged that UNITED AMERICAN failed to represent
4 correctly to claimants pertinent facts or policy provisions in two (2)
5 instances, in violation of California Insurance Code § 790.03(h)(1);
6
7 b. The Department alleged that AMERICAN INCOME failed to represent
8 correctly to claimants pertinent facts or policy provisions in one (1)
9 instance, in violation of California Insurance Code § 790.03(h)(1);
10
11 c. The Department alleged that GLOBE failed to represent correctly to
12 claimants pertinent facts or policy provisions in one (1) instance, in
13 violation of California Insurance Code § 790.03(h)(1).

14 67. In one (1) instance, the Department alleged that UNITED AMERICAN knowingly
15 misrepresented to claimants pertinent facts or insurance policy provisions relating to any
16 coverages at issue, in violation of California Insurance Code § 790.03(h)(1). In this instance, the
17 Department alleged that UNITED AMERICAN misrepresented to the claimant in its claim denial
18 letter and in its policy provisions that the insuring clause of the policy provides that a loss due to a
19 pre-existing condition is not covered unless the loss is incurred *more than 2 years* after the
20 effective date of coverage. However, such statement does not conform to the Insurance Code.
21 For health policy coverage of three or more persons, California Insurance Code § 10198.7(a)
22 prohibits an insurer from excluding coverage on the basis of a pre-existing condition for a period
23 greater than *6 months* following the individual's effective date of coverage. The Department
24 alleges that UNITED AMERICAN'S misrepresentation in its policy language constitutes a
25 general business practice.
26

27 //
28

1 death of the insured and failed to specify the rate of interest, as required by California Insurance
2 Code § 10172.5(c), in violation of California Insurance Code § 790.03(h)(5). TORCHMARK
3 COMPANIES were previously cited for violations of California Insurance Code § 10172.5(c) in
4 the Department's Market Conduct Examination As of March 31, 2002. Out of the 17 instances
5 cited, the alleged violations were allocated, as follows:
6

- 7 a. The Department alleged that UNITED INVESTORS failed to notify
8 beneficiaries that interest would be paid on settlement proceeds in sixteen
9 (16) instances, as required by § 10172.5(c), in violation of California
10 Insurance Code § 790.03(h)(5);
11 b. The Department alleged that AMERICAN INCOME failed to notify
12 beneficiaries that interest would be paid on settlement proceeds in one (1)
13 instance, as required by § 10172.5(c), in violation of California Insurance
14 Code § 790.03(h)(5).
15

16 Failure to Pay Interest on Income Disability Claims

17 71. In one (1) instance, the Department alleged that AMERICAN INCOME failed to
18 pay interest on a benefit payment that was not paid within 30 calendar days from receipt of all
19 information needed to determine liability for a claim, and the insurer had determined that liability
20 exists, as required by California Insurance Code § 10111.2(c), in violation of California Insurance
21 Code § 790.03(h)(5).
22

23 Failure to Provide Statutory Notice of Fraud

24 72. The Department alleged that, as a general business practice, the TORCHMARK
25 COMPANIES failed to provide the statutory fraud notice on claim forms, as required by
26 California Insurance Code § 1879.2, in violation of California Insurance Code § 790.03(h)(5).
27 TORCHMARK COMPANIES were previously cited for violations of California Insurance Code
28

1 § 1879.2 in the Department's Market Conduct Examination As Of March 31, 2002. The failure to
2 provide the fraud warning occurred on cancer claim forms in seventy-five (75) instances,
3 allocated as follows:

- 4 a. In fifty-four (54) instances, AMERICAN INCOME failed to provide the
5 statutory fraud notice, in violation of California Insurance Code § 790.03(h)(5);
6
7 b. In fourteen (14) instances, UNITED AMERICAN failed to provide the
8 statutory fraud notice, in violation of California Insurance Code § 790.03(h)(5);
9
10 c. In seven (7) instances, GLOBE failed to provide the statutory fraud notice,
11 in violation of California Insurance Code § 790.03(h)(5).

12 Making a False Statement to the Insurance Commissioner

13 73. In two (2) instances, the Department alleges that TORCHMARK COMPANIES
14 have made a false statement to an examiner or the Insurance Commissioner pertaining to the
15 business of the insurer during the course of the 2002 and 2006 Market Conduct examinations with
16 intent to deceive, in violation of California Insurance Code § 790.03(e). On two separate
17 occasions, officers of TORCHMARK COMPANIES made commitments, promises,
18 representations or other statements to the Department's Field Claims Bureau examiners relating
19 to improvement modifications to its claims processing computerized systems to correct
20 deficiencies in its Explanation of Benefits, which the Companies have failed to perform.

21 STATUTORY ALLEGATIONS

22
23 74. The facts alleged in Paragraphs 50 through 73 herein demonstrate that GLOBE,
24 AMERICAN INCOME, LIBERTY, UNITED AMERICAN, and UNITED INVESTORS have
25 engaged in acts which constitute an unfair method of competition and/or unfair or deceptive acts
26 or practices in this State, in violation of California Insurance Code § 790.03 and/or the Fair
27 Claims Settlement Practices Regulations. The TORCHMARK COMPANIES' conduct
28

1 constitutes grounds for the Insurance Commissioner to assess a monetary penalty, pursuant to
2 California Insurance Code § 790.035; and,

3 75. The facts alleged in Paragraphs 50 through 73 herein demonstrate that GLOBE,
4 AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS have not
5 carried out its contracts in good faith, and constitute grounds for the Insurance Commissioner to
6 suspend for a period not exceeding one year, after hearing, the respective Certificates of
7 Authority of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED
8 INVESTORS, pursuant to California Insurance Code § 704(b); and,

9 76. The facts alleged in Paragraphs 53, 55, 56 and 66 herein demonstrate that
10 UNITED AMERICAN has violated any provision of Chapter 2.6, Part 2, Division 2 of the
11 California Insurance Code and constitute grounds for the Insurance Commissioner to assess an
12 additional monetary penalty, pursuant to § 10234.3(b), and suspend its Certificate of Authority
13 and/or order the insurer to cease marketing a particular policy form of long-term care insurance or
14 cease marketing any long-term care insurance in California, pursuant to California Insurance
15 Code § 10234.4; and,

16 77. The Insurance Commissioner hereby notifies GLOBE, AMERICAN INCOME,
17 LIBERTY, UNITED AMERICAN and UNITED INVESTORS that, based upon the facts alleged
18 herein, the TORCHMARK COMPANIES are in violation of California Insurance Code
19 §§ 700(c), 704(b), 790.02, 790.03, 790.06, 1879.2, 10111.2(c), 10172.5, 10198.7(a), 10232.92,
20 10232.95, and the Fair Claims Settlement Practices Regulations contained in California Code of
21 Regulations, title 10, Chapter 5, Subchapter 7.5, commencing with § 2695.1.

22 78. The Commissioner has alleged that each act identified in paragraphs 50 through 73
23 constitutes an unfair method of competition or unfair or deceptive act or practice within the
24 meaning of California Insurance Code § 790.03.

DEMAND PURSUANT TO
CALIFORNIA INSURANCE CODE §§ 704, 790.035, 790.05, 790.08, 10234.2, 10234.3,
10234.4, 10234.5 and 12976

79. PLEASE TAKE NOTICE that the Insurance Commissioner may, as a result of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS' actions as set forth hereinabove, and pursuant to California Insurance Code § 790.035, seek monetary penalties up to:

- a. Five thousand dollars (\$5,000.00) for each of the acts alleged above that is established, at hearing, as an act of unfair competition or unfair or deceptive act or practice and such acts are non-willful; or
- b. Ten thousand dollars (\$10,000) for each act of unfair competition or unfair or deceptive practice alleged above that is proved willful; and,

80. PLEASE TAKE FURTHER NOTICE that the Insurance Commissioner may, as a result of the actions of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS as set forth hereinabove, and pursuant to California Insurance Code § 704, seek to suspend the respective Certificates of Authority of GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS; and,

81. PLEASE TAKE FURTHER NOTICE that the Insurance Commissioner may, as a result of UNITED AMERICAN'S actions as set forth in Paragraphs 53, 55, 56 and 66, and pursuant to California Insurance Code §§ 10234.2, 10234.3 and 10234.4, seek to suspend UNITED AMERICAN'S Certificate of Authority and/or seek additional monetary penalties of not less than five thousand dollars (\$5,000) for each first violation and not less than ten thousand dollars (\$10,000) for each subsequent or knowing violation, and the penalty shall reflect the magnitude of the violation against public interest and shall not be less than ten thousand dollars (\$10,000) and not more than five hundred thousand dollars (\$500,000). PLEASE TAKE

1 FURTHER NOTICE that the Insurance Commissioner hereby notifies UNITED AMERICAN
2 that it has the right to elect any of the actions set forth in California Insurance Code
3 § 10234.5(b)(4); and,

4 82. PLEASE TAKE FURTHER NOTICE that, as a result of the actions of GLOBE,
5 AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS as set
6 forth hereinabove, and pursuant to California Insurance Code §§ 790.06, 790.08, 10111.2,
7 10172.5, 10198.7, 10234.2, 10234.5 and 12976, demand is hereby made for such other equitable
8 relief, including restitution, as may be necessary to redress GLOBE, AMERICAN INCOME,
9 LIBERTY, UNITED AMERICAN and UNITED INVESTORS' violations of enumerated
10 California statutory law and regulations and for such other and further relief as may be just and
11 proper.
12

13
14 **ORDER TO SHOW CAUSE**
15 **PURSUANT TO CALIFORNIA INSURANCE CODE §§ 790.03, 790.05 and 790.06**

16 83. WHEREAS, the Insurance Commissioner has reason to believe, based upon the
17 facts set forth herein, that GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN
18 and UNITED INVESTORS have engaged in or are engaging in unfair methods of competition
19 and/or unfair or deceptive acts or practices in this State as defined in California Insurance Code
20 §§ 790.03(e), 790.03(h) and/or the Fair Claims Settlement Practices Regulations; and,

21 84. WHEREAS, the Insurance Commissioner has reason to believe, based upon the
22 facts set forth herein, that GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN
23 and UNITED INVESTORS have engaged in or are engaging in a method of competition and/or
24 an act or practice in the conduct of its business in this State that is not defined in California
25 Insurance Code § 790.03, and that the method is unfair and/or the act or practice is unfair or
26 deceptive pursuant to California Insurance Code § 790.06; and,
27
28

1 85. WHEREAS, the Insurance Commissioner has reason to believe that a proceeding
2 by the Insurance Commissioner would be in the public interest, he hereby issues the herein Order
3 to Show Cause, pursuant to California Insurance Code § 790.05, containing a statement of the
4 charges and GLOBE, AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED
5 INVESTORS' potential liability; and,
6

7 86. WHEREAS, the Insurance Commissioner has reason to believe that a proceeding
8 by the Insurance Commissioner would be in the public interest, he hereby issues the herein Order
9 to Show Cause, pursuant to California Insurance Code § 790.06, containing a statement of the
10 methods, acts or practices alleged to be unfair or deceptive; and,
11

12 87. THEREFORE, the Insurance Commissioner hereby notifies GLOBE,
13 AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS that a
14 hearing shall be held at a time and place to be determined by the Commissioner which shall not
15 be less than 30 days after service of the herein Order to Show Cause to determine whether the
16 alleged methods, acts or practices set forth herein should be declared to be unfair or deceptive and
17 whether the Commissioner should issue an Order to pay the penalties imposed by California
18 Insurance Code §§ 790.035 and 10234.3 and to cease and desist from such acts or practices.
19

20 88. THEREFORE, the Insurance Commissioner hereby notifies GLOBE,
21 AMERICAN INCOME, LIBERTY, UNITED AMERICAN and UNITED INVESTORS that a
22 hearing shall be held at a time and place to be determined by the Commissioner which shall not
23 be less than 30 days after service of the herein Order to Show Cause to determine whether the
24 alleged methods, acts or practices set forth herein should be declared to be unfair or deceptive and
25 whether the Commissioner should issue a report so declaring.
26

27 WHEREFORE, the Insurance Commissioner prays for the following:
28

1 1. An Order to Cease and Desist against GLOBE, AMERICAN INCOME,
2 LIBERTY, UNITED AMERICAN and UNITED INVESTORS from engaging in unfair methods
3 of competition and unfair and deceptive acts or practices in the business of life and disability
4 insurance in violation of California Insurance Code §§ 790.03 and 790.06 and the Fair Claims
5 Settlement Practices Regulations contained in CCR, Title 10, Chapter 5, Subchapter 7.5,
6 commencing with § 2695.1 et seq.; and,
7

8 2. An Order to Cease and Desist against GLOBE, AMERICAN INCOME,
9 LIBERTY, UNITED AMERICAN and UNITED INVESTORS from engaging in activities in the
10 business of life and disability insurance in violation of California Insurance Code §§ 700(c),
11 704(b), 1879.2, 10111.2(c), 10172.5, 10198.7 and 10232.92 and 10232.95; and,
12

13 3. The suspension of GLOBE, AMERICAN INCOME, LIBERTY, UNITED
14 AMERICAN and UNITED INVESTORS' respective Certificates of Authority to act as a Life and
15 Disability insurer in the State of California for a period not exceeding one year, pursuant to
16 California Insurance Code § 704(b); and,
17

18 4. The suspension of UNITED AMERICAN'S Certificate of Authority to act as a
19 Disability insurer in the State of California, and/or to cease marketing in California a particular
20 policy form of long-term care insurance or cease marketing any long-term care insurance,
21 pursuant to California Insurance Code § 10234.4; and,
22

23 5. The imposition of a monetary penalty against UNITED AMERICAN as provided
24 by law, pursuant to California Insurance Code § 10234.3; and,
25

26 6. The imposition of monetary penalties against GLOBE, AMERICAN INCOME,
27 LIBERTY, UNITED AMERICAN and UNITED INVESTORS as provided by law, pursuant to
28 California Insurance Code § 790.035, of up to five thousand dollars (\$5,000) for each of the acts
of unfair competition or unfair or deceptive acts or practices alleged above that is established and

1 such acts are non-willful; or up to ten thousand dollars (\$10,000) for each act of unfair
2 competition or unfair or deceptive practices alleged above that is established and such acts are
3 willful; and,

4 7. The imposition of Notice on GLOBE, AMERICAN INCOME, LIBERTY,
5 UNITED AMERICAN and UNITED INVESTORS that, after conclusion of the hearing, upon a
6 finding of violation of California Insurance Code § 704(b), GLOBE, AMERICAN INCOME,
7 LIBERTY, UNITED AMERICAN and UNITED INVESTORS will be subject to the possible
8 suspension of its Certificate of Authority; and,

9 8. The imposition of such other equitable relief, including restitution, as may be
10 necessary to redress the violations of GLOBE, AMERICAN INCOME, LIBERTY, UNITED
11 AMERICAN and UNITED INVESTORS as set forth above; and,

12 9. The imposition of such further relief as may be just and proper.

13 //

14 Dated: August 11, 2011

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION

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By: 
Mary Ann Shulman
Senior Staff Counsel

Attorneys for California Department of Insurance