



**DEPARTMENT OF COMMERCE & INSURANCE**

P.O. Box 690, Jefferson City, Mo. 65102-0690

*In Re:*

AMERICAN HEALTH AND LIFE  
INSURANCE COMPANY (NAIC #60518)

)  
)  
)  
)

**Market Conduct Examination No. 339271**

**ORDER OF THE DIRECTOR**

NOW, on this 05<sup>th</sup> day of May, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of American Health and Life Insurance Company (NAIC #60518) (hereinafter "AHL"), examination report number #339271, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)<sup>1</sup>, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #339271, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

**IT IS THEREFORE ORDERED** that AHL and the Division having agreed to the

<sup>1</sup> All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

Stipulation, the Director does hereby approve and agree to the Stipulation.

**IT IS FURTHER ORDERED** that AHL shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

**IT IS FURTHER ORDERED** that AHL shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$7,500.00 payable to the Missouri State School Fund in connection with the examination.

**IT IS SO ORDERED.**

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 05<sup>th</sup> day of May, 2021.



*Chlora Lindley-Myers*  
Chlora Lindley-Myers  
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE  
STATE OF MISSOURI**

*In Re:* )  
 )  
AMERICAN HEALTH AND LIFE ) **Market Conduct Examination**  
INSURANCE COMPANY (NAIC #60518) ) **No. 339271**

**STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and American Health and Life Insurance Company (NAIC #60518) (hereinafter “AHL”), as follows:

**WHEREAS**, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

**WHEREAS**, AHL has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

**WHEREAS**, the Division conducted a market conduct examination of AHL, examination #339271; and

**WHEREAS**, based on the market conduct examination of AHL, the Division alleges that:

1. In three instances, AHL submitted to the Director an Affidavit of Compensation Report that did not accurately indicate the compensation paid to creditors in violation of §374.210.1 (2)<sup>1</sup>.

2. In 79 instances, AHL charged a premium that used an amount of indebtedness that differed from the amount on the insurance certificate in violation of §385.070.

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<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

3. In 66 instances, AHL's credit disability certificates issued by AHL contained a provision impermissibly requiring a debtor to be working at least 30 hours per week on the date the debt was incurred to be eligible for coverage in violation of §385.070.1 (2).

4. In 75 instances AHL paid compensation to creditors in excess of the 40% statutory cap in violation of §385.070.2.

**WHEREAS**, the Division and AHL have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** AHL agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. AHL agrees to provide complete and accurate information in future reports submitted or filed with the Department.

2. AHL agrees to use the filed rate and the amount of indebtedness shown in the insurance certificate when calculating premium on credit insurance policies issued in Missouri or to Missouri policyholders.

3. AHL agrees to remove from all credit disability documents, including, but not limited to, certificates, master policies, disclosures, marketing and sales material, policies and

procedures and advertisements the requirement that a debtor be working at least 30 hours per week to be eligible for coverage. A filing, amending the master policy, certificates and other documents required to be filed, will be made with the Department within 30 days of the date the Order is issued approving this Stipulation. The System for Electronic Rate and Form Filing ("SERFF") will include a statement indicating that as a result of a Missouri market conduct examination an amended filing is being made.

4. **AHL agrees to offer or provide credit disability coverage to all Missouri applicants who meet the age requirements under §385.070.1 (2) (d).**

5. **AHL agrees not to pay compensation to creditors for the sale of credit insurance that exceeds 40% of the prima facie rates established in §385.070.2, even if AHL files and obtains approval for a deviation in rates.**

C. **Compliance.** AHL agrees to file documentation with the Division, in a format acceptable to the Division, within 60 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** AHL agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by AHL pursuant to Paragraph C of this Stipulation.

E. **Voluntary Forfeiture.** AHL agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$7,500 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by AHL, this Stipulation being part of a compromise settlement to resolve disputed factual and legal

allegations arising out of the above-referenced market conduct examination.

G. **Waivers.** AHL, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

H. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and AHL.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

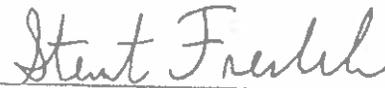
J. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation, on behalf of the Division and AHL respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 4-16-2021

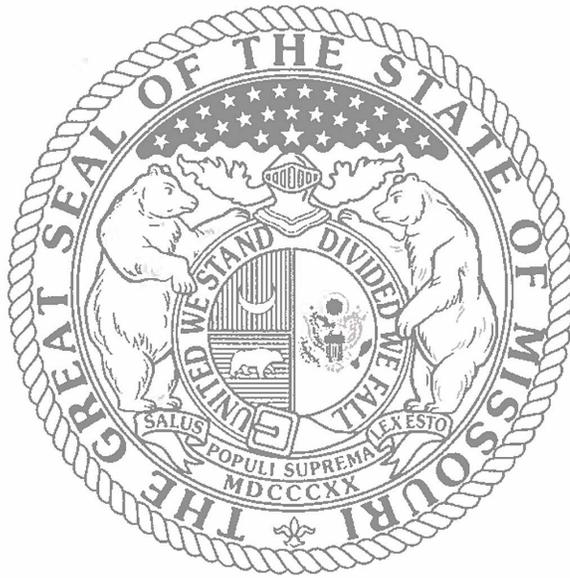


Stewart Freilich  
Chief Market Conduct Examiner and  
Senior Counsel  
Division of Insurance Market Regulation

DATED: 4-14-21



Dava S. Carson  
President  
American Health and Life Insurance Company



**FINAL MARKET CONDUCT EXAMINATION REPORT**  
**Life and Health**

**American Health and Life Insurance Company**  
**NAIC # 4734-60518**

**MISSOURI SBS EXAMINATION # 339271**

**NAIC MATS #MO-HICKSS1-129**

**April 16, 2021**

**Home Office**  
**3001 Meacham Blvd., Suite 100**  
**Fort Worth, Texas 76137**

**STATE OF MISSOURI**  
**DEPARTMENT OF COMMERCE & INSURANCE**

**JEFFERSON CITY, MISSOURI**

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April 16, 2021

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

**American Health and Life Insurance Company (NAIC #4734-60518)**

hereinafter referred to as AHL or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

**FOREWORD**

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” or “AHL” refers to the American Health and Life Insurance Company
- “CSR” refers to the Missouri Code of State Regulations
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

**SCOPE OF EXAMINATION**

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2016 through December 31, 2018, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Credit Life and Credit Disability Insurance - Underwriting and Rating and Operations/Management.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices it is ten percent (10%).

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

## **COMPANY PROFILE**

American Health and Life Insurance Company (AHL) is a life and health underwriter for credit insurance, term life and disability income offered through affiliate and non-affiliate lenders. AHL was originally known as Cavalier Life Insurance Company, which was incorporated in Maryland in 1954. The company wrote ordinary life, health and annuities, but now focuses on credit life and disability. Cavalier became known as AHL, and operations were relocated to Texas in 1988. AHL is licensed in 49 states, as well as the District of Columbia.

## **EXECUTIVE SUMMARY**

The DCI conducted a targeted market conduct examination of American Health and Life Insurance Company. The examiners found the following areas of concern:

### **OPERATIONS/MANAGEMENT**

- The Company failed to respond to one criticism within 10 days of receipt. Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)
- The Company filed with the Director inaccurate Affidavit of Compensation Reports in 2016, 2017, and 2018. Reference: §374.201.1(2), RSMo.

### **UNDERWRITING AND RATING**

- The Company charged a premium for some insureds that was different from the filed rate. Reference: §385.070, RSMo.
- The Company used prima facie rates and underwriting with credit disability certificates. Reference: §385.070.1(2) RSMo.
- The Company paid compensation to creditors in excess of forty percent of the rates specified in §385.070.1(1), RSMo. Reference: §385.070.2, RSMo.

## EXAMINATION FINDINGS

### I. OPERATIONS/MANAGEMENT

The Operations/Management portion of the examination is designed to provide a view of what the Company is, how it operates, and how it's structured, including company history and profile, subcontractor oversight, internal audits, certificates of authority, disaster recovery plan, computer systems, board of directors meeting minutes, and privacy.

#### A. NAIC Market Regulation Handbook Chapter 20 – Operations/Management Standard 7: Records are adequate, accessible, consistent and orderly and comply with state record retention requirements.

To test for this standard, the examiners requested documents from the underwriting file to determine if the file identified the name of the producer involved in the transaction.

Field Size	21,730
Sample Size	116
Type of Sample	Random
Number of Errors	0
Error Ratio	0%

The examiners found no errors in this review.

#### B. NAIC Market Regulation Handbook Chapter 20 – Operations/Management Standard 18: All data required to be reported to departments of insurance is complete and accurate.

To test for this standard, the examiners reviewed the 2016, 2017, and 2018 Affidavit of Compensation Report submitted to the Director and the policies in the underwriting file provided by the Company to determine whether the information provided was complete and accurate.

Field Size	3
Sample Size	3
Type of Sample	Census
Number of Errors	3
Error Ratio	100%

**Finding 1:** The Company submitted to the Director an Affidavit of Compensation Report in 2016, 2017, and 2018 that indicated it did not pay compensation to any creditor an amount in excess of 40% of the rates specified in Section 385.070, RSMo. For 75 credit life policies, the Company paid compensation in excess of 40% of the rates specified in Section 385.070, RSMo. The Company filed an inaccurate report with the Director.

Reference: §374.210.1(2), RSMo.

## II. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

### A. NAIC Market Regulation Handbook Chapter 20 – General Examination Standards - Underwriting and Rating Standard 1- The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

To test for this standard, the examiners requested and reviewed a sample of 116 underwriting files from the data supplied by the Company to determine if the premiums charged agreed with the Company's rate filing and Missouri law.

Field Size	21,730
Sample Size	116
Type of Sample	Random
Number of Errors	79
Error Ratio	68%

The examiners found the following error in this review.

Finding 1: In 79 files, the Company charged a premium that differed from the filed rate. In most instances, the Company used an amount of indebtedness in its calculation of premium that was different from the amount on the certificate and in the loan documents.

Reference: §385.070, RSMo.

### B. NAIC Market Regulation Handbook Chapter 20 - Underwriting and Rating Standard 4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.

To test for this standard, the examiners requested and reviewed a sample of 116 underwriting files from the data supplied by the Company to determine if the Company inappropriately underwrote coverage when using prima facie rates and when using rates in excess of prima facie rates.

Field Size	21,730
Sample Size	116
Type of Sample	Random
Number of Errors	66
Error Ratio	57%

The examiners found the following error in this review.

Finding 1: In 66 files, the credit disability certificates contain a provision that requires the debtor to actively be working at least 30 hours per week on the date the debt is incurred to be eligible for coverage. The Company used prima facie rates with these certificates. Section 385.070.1(2), RSMo. does not permit underwriting for a minimum numbers of hours worked. Coverage must be provided or offered to all debtors, with only an exception for age.

Reference: §385.070.1(2), RSMo.

**C. NAIC Market Regulation Handbook Chapter 20 - Underwriting and Rating Standard 7: Rejections and declinations are not unfairly discriminatory.**

To test for this standard, the examiners requested and reviewed a sample of declinations files to determine if the Company inappropriately declined for the rate charged.

The Company did not keep track of debtors that were not offered coverage and was unable to provide data to test for this standard.

**D. NAIC Market Regulation Handbook Chapter 27– Underwriting and Rating Standard 4: The insurer and creditor comply with requirements for the payment of compensation in accordance with applicable statutes, rules and regulations.**

To test for this standard, the examiners requested and reviewed a sample of 116 underwriting files from the data supplied by the Company to determine if the Company paid commissions in excess of forty percent of the rates specified by statute.

Field Size	21,730
Sample Size	116
Type of Sample	Random
Number of Errors	75
Error Ratio	65%

The examiners found the following error in this review.

Finding 1: In 75 files, the Company paid compensation to the creditor in excess of forty percent (40%) of the rates specified in §385.070.1(1).

Reference: §385.070.2, RSMo.

### III. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

#### A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	4	80%
Over 10 days with extension	0	0%
Over 10 days without extension or after extension due date	1	20%
<b>Totals</b>	<b>5</b>	<b>100%</b>

Finding 1: The Company did not submit a response to one criticism within 10 days.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)

#### B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	5	56%
Over 10 days with extension	4	44%
Over 10 days without extension or after extension due date	0	0%
<b>Totals</b>	<b>9</b>	<b>100%</b>

The examiners found no errors in this review.

## EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of American Health and Life Insurance Company (NAIC #60518), Examination Number 339271. This examination was conducted by Martha Long, Julie Hesser, Jon Meyer, and Dana Whaley. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated December 28, 2020. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

4-16-2021

Date



Stewart Freilich

Chief Market Conduct Examiner

## **COMPANY RESPONSES TO EXAMINATION REPORT # 339271**

### **I. OPERATIONS/MANAGEMENT**

#### **B. NAIC Market Regulation Handbook Chapter 20 – Operations/Management Standard 18: All data required to be reported to departments of insurance is complete and accurate.**

Finding 1: The Company submitted to the Director an Affidavit of Compensation Report in 2016, 2017, and 2018 that indicated it did not pay compensation to any creditor an amount in excess of 40% of the rates specified in Section 385.070, RSMo. For 75 credit life policies, the Company paid compensation in excess of 40% of the rates specified in Section 385.070, RSMo. The Company **filed** an inaccurate report with the Director

Company Response: The Company believed it was in compliance with Missouri Statute Section 385.070 based its interpretation of the statute.

### **II. UNDERWRITING AND RATING**

#### **A. Underwriting and Rating Standard 1- The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.**

Finding 1: In 79 files, the Company charged a premium that differed from the filed rate. In most instances, the Company used an amount of indebtedness in its calculation of premium that was different from the amount on the certificate and in the loan documents.

Company Response: The Company calculated premium based on the filed and approved rates. However, when the first loan payment due date was more than thirty (30) days after the loan effective date, the premium charged to the insured did not include the amount of interest for the extra days.

#### **B. NAIC Market Regulation Handbook Chapter 20 - Underwriting and Rating Standard 4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.**

Finding 1: In 66 files, the credit disability certificates contain a provision that requires the debtor to actively be working at least 30 hours per week on the date the debt is incurred to be eligible for coverage. The Company used prima facie rates with these certificates. Section 385.070.1(2), RSMo. does not permit underwriting for a minimum numbers of hours worked. Coverage must be provided or offered to all debtors, with only an exception for age.

Company Response: The Company's interpretation of the RSMo. §385.070.1(2)(a) was that the Eligibility provision in the filled and approved certificate form did not represent the act of underwriting.

**C. NAIC Market Regulation Handbook Chapter 20 - Underwriting and Rating Standard 7: Rejections and declinations are not unfairly discriminatory.**

The Company did not keep track of debtors that were not offered coverage and was unable to provide data to test for this standard

Company Response: The Company did not use applications during the exam period to offer the optional credit life and disability insurance products so there were no declinations to provide.

**D. NAIC Market Regulation Handbook Chapter 27– Underwriting and Rating Standard 4: The insurer and creditor comply with requirements for the payment of compensation in accordance with applicable statutes, rules, and regulations.**

Finding 1: In 75 files, the Company paid compensation to the creditor in excess of forty percent (40%) of the rates specified in §385.070.1(1).

Company Response: The Company believed based on its interpretation of the statute; it was in compliance with Missouri Statute Section 385.070.

**III. CRITICISMS AND FORMAL REQUESTS TIME STUDY**

**A. Criticism Time Study**

Finding 1: The Company did not submit a response to one criticism within 10 days.

Company Response: The response was submitted one (1) day after the requested due date as the Company was addressing operational matters related to COVID-19. The fieldwork phase for this exam began at the time COVID-19 peaked and a Company closure mandate.