

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI**

In Re:)
)
FREEDOM LIFE INSURANCE COMPANY) Market Conduct Examination
OF AMERICA (NAIC #62324)) No. 1303-09-TGT

ORDER OF THE DIRECTOR

NOW, on this 11th day of April, 2019, Director, Chlora Lindley-Myers, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") entered into by the Division of Insurance Market Regulation (hereinafter "Division"), and Freedom Life Insurance Company of America (NAIC #62324) (hereinafter "Freedom"), relating to the market conduct examination set out in the caption above, does hereby issue the following orders:

This order, issued pursuant to §§374.205.2(5), 374.280, and 374.046.15 RSMo 2016, is in the public interest.

IT IS THEREFORE ORDERED that Freedom and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Freedom 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, shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

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 11th day of April, 2019.



Chlora Lindley-Myers
Director



**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI**

In Re:)
)
FREEDOM LIFE INSURANCE COMPANY) **Market Conduct Examination**
OF AMERICA (NAIC #62324)) **No. 1303-09-TGT**

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Freedom Life Insurance Company of America (NAIC #62324) (hereinafter “Freedom Life”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (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 in Missouri;

WHEREAS, Freedom Life 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 Freedom Life, examination #1303-09-TGT;

WHEREAS, based on the Market Conduct Examination of Freedom Life, the Division alleges that:

1. Several advertisements for products offered by Freedom Life were deficient, included inaccurate information, or made improper comparisons in violation of §375.936(4)¹ and (6), 20 CSR 400-5.100(3)(A), 20 CSR 400-5.100(4)(D), 20 CSR 400-5.700(4)(A) and (B), 20 CSR 400-5.700(1)(B), and 20 CSR 400-5.700(5)(A)1.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

2. Freedom Life did not conduct a full and complete investigation into allegations of misleading statements made in violation of §375.936(6) by three producers.

3. In certain instances, Freedom Life did not maintain all required records concerning delivery of group policies in violation of §374.205.2(2) and 20 CSR 100-8.040(3)(A)2.

4. For two health plans, Freedom Life did not file applicable annual utilization review reports required by §376.1359 and 20 CSR 400-10.020.

5. Freedom Life did not file with the Director for approval certain group policies delivered in Missouri in violation of §376.405.1 and 20 CSR 400-8.200 and did not provide all Missouri mandated benefits and offers in connection with these policies.

6. Freedom Life issued some group policies that differed from forms approved by the Director in violation of §376.405.1 and 20 CSR 400-8.200.

7. Freedom Life waived its pre-existing conditions exclusion period under certain conditions by providing credit for prior “creditable coverage”, but did not include the waiver provision in its group policies in violation of §375.936(9)(a).

WHEREAS, Freedom Life denies these allegations, and specifically notes the following:

1. As to allegation number 1, the advertisements in question are no longer used or were subsequently modified for reasons independent of this examination.

2. As to allegation number 6, Freedom Life contends this was an inadvertent oversight, and that all benefits were administered in accordance with the approved language.

3. As to allegation number 7, Freedom Life contends that the credit for prior “credible coverage” was provided even when not required, and that a written agreement between Freedom Life and the group policyholder set forth the agreement of the parties clearly and unambiguously, such that it did not provide extra contractual benefits that could constitute a rebate or inducement

as alleged.

WHEREAS, in order to resolve the disputed factual and legal allegations arising out of the above referenced Market Conduct Examination, and without Freedom Life admitting any such allegations, the Division and Freedom Life have agreed to resolve the issues raised in the Market Conduct Examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement (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.** Without admitting any liability or fault, and in order to bring resolution to the disputed factual and legal allegations, Freedom Life agrees that it already has, or will take remedial action to ensure full compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably assure that the alleged errors noted in the Market Conduct Examination do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Freedom Life agrees to comply with the requirements of §375.936(4) and (6), 20 CSR 400-5.100, and 20 CSR 400-5.700 with respect to advertisements for Freedom Life products offered in Missouri or to Missouri residents, and to contractually require its producers and agents to comply with the requirements of §375.936(4) and (6), 20 CSR 400-5.100 and 20 CSR 400-5.700 with respect to advertisements for Freedom Life products offered in Missouri or to Missouri residents, including the following specific actions.

a. Freedom Life agrees that the name of the association under which association group

coverage is provided shall be disclosed on any and all advertisements for the association group coverage.

b. Freedom Life agrees to include a form number assigned by the Company on all advertisements.

c. Freedom Life agrees to remove “comprehensive” and comparisons to major medical coverage from its individual coverage descriptions noted in Secure Advantage Brochures and further agrees to refrain from using similar language in other advertisements for limited benefit insurance plans.

d. Freedom Life agrees that it will no longer use and will contractually prohibit associations from using metal-level designations to distinguish between plan levels on its limited benefit products.

e. Freedom Life agrees to disclose in its Medguard marketing materials that the product is five year term life coverage and further agrees to refrain from characterizing any life insurance product as anything other than life insurance.

f. Freedom Life agrees, if it has not already done so, to augment its system of control over its advertising materials to include requirements for prior approval by Freedom Life of all advertisements used by its producers that are not otherwise provided by Freedom Life.

2. Freedom Life agrees that it will continue to fully and completely investigate allegations of inappropriate conduct by producers, and represents that it has implemented training within its customer service department to require any verbal allegations of inappropriate producer conduct to be referred to the internal department responsible for such investigations.

3. Freedom Life agrees to require all of its producers offering products in Missouri or

to Missouri residents, including those offering association health plans, to be licensed and appointed.

4. From the date of the Order approving this Stipulation, Freedom Life agrees not to issue or deliver a group accident and health insurance policy to an association in the state of Missouri unless: (1) the association meets all the requirements of §376.421.1(5); or (2) if the association does not meet the requirements of §376.421.1(5), Freedom Life has sought and received approval from the Director to issue the policy as a discretionary group policy pursuant to §376.421.2 and 20 CSR 400-2.130.

5. Freedom Life agrees to maintain all books and records required under §374.205.2(2) and 20 CSR 100-8.040, including maintaining documentation to show when and where delivery occurs for group insurance policies.

6. Freedom Life agrees to file annual Utilization Review reports for managed care plans as defined in §376.1350(24).

7. From the date of the Order approving this Stipulation, Freedom Life agrees that, in the event it issues any new group accident and health insurance policies delivered or issued for delivery to the group policyholder in Missouri, the group policy form will be filed with and approved by the Director prior to use, and will provide all Missouri mandated benefits and mandated offers that apply to the group policy issued.

8. Freedom Life agrees that it will not utilize language in policy and certificate forms that is different from the language approved by the Director.

9. Freedom Life agrees that it will not provide extra contractual benefits that could constitute a rebate or inducement, and instead will include all benefits within the terms of the policy.

10. Freedom Life has provided information and documentation to the Division demonstrating that Freedom Life conducted a review of mandated benefit claims from 2012-2014 on the assumption, which Freedom Life denies, that the group policies in question were issued in Missouri such that in-state Missouri mandates applied to the coverage. Based on this assumption, Freedom Life has determined that 18 claims should have been paid. Freedom Life agrees to provide a total restitution to Missouri insureds of \$519.65.

C. Compliance. Freedom Life agrees to file documentation with the Division, in a format acceptable to the Division, within 90 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 and to document payment of restitution required under the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

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

E. Voluntary Forfeiture. Freedom Life agrees, voluntarily and knowingly, to forfeit the sum of \$5,000 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 Freedom Life, 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. Freedom Life, 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 Freedom Life.

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 Freedom Life 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.

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

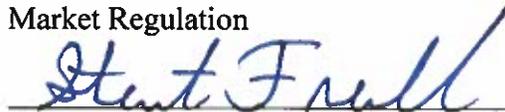
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 4-10-2019



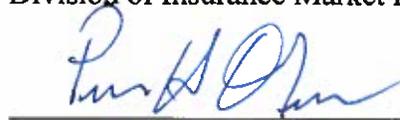
Angela Nelson
Director, Division of Insurance
Market Regulation

DATED: 4-11-2019



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

DATED: 4-5-19



Patrick H. O'Neill
Exec. Vice Pres. and General Counsel
Freedom Life Insurance Company of America