

IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI

In Re:)
)
FIDELITY SECURITY LIFE INSURANCE) Market Conduct Investigation
COMPANY (NAIC #71870)) No. 265757

ORDER OF THE DIRECTOR

NOW, on this 29th day of July, 2020, 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 Fidelity Security Life Insurance Company (NAIC #71870) (hereinafter “FSL”), relating to the market conduct investigation no. 265757, does hereby issue the following orders:

This order, issued pursuant to §374.046.15¹ and §374.280 is in the public interest.

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

IT IS FURTHER ORDERED that FSL 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 FSL shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$51,000.00, payable to the Missouri State School Fund.

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 29th day of July, 2020.


Chlora Lindley-Myers
Director



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

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COMPANY (NAIC #71870))	No. 265757

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the "Division"), and Fidelity Security Life Insurance Company (NAIC #71870) (hereinafter "FSL"), 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; and

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

WHEREAS, the Division conducted a market conduct investigation of FSL, investigation #265757; and

WHEREAS, based on the market conduct investigation of FSL, the Division alleges that:

1. FSL's advertising materials for its FreedomFlex product are misleading and not truthful in violation of 20 CSR 400-5.100(3)(A), in that they (a) failed to disclose that Interstate Specialty Marketing Administrators (also doing business as Interstate Specialty Marketing, Inc.) (hereinafter "ISM"), was not a licensed administrator in the State of Missouri; (b) represented the insurance coverage was renewable, when in fact, the certificate forms did not contain renewal provisions; and (c) failed to disclose that features like "wealth accumulation plan" with "unlimited options", "top performing mutual funds" and a "time deposit with a 10% guaranteed growth rate" were separate components of a program and not related to the insurance product.

2. FSL's FreedomFlex video advertisement had the capacity, tendency, or effect of misleading or deceiving purchasers or prospective purchasers because it omitted (a) that FreedomFlex was a term life insurance contract; and (b) that features like "wealth accumulation plan", "top performing mutual funds", and "time deposit with a 10% guaranteed growth rate" were separate components of a program and not related to the life insurance product, in violation of 20 CSR 400-5.100(4)(B).

3. FSL's FreedomFlex brochure contained statistical information that did not accurately reflect recent and relevant facts in violation of 20 CSR 400-5.100(4)(R).

4. FSL failed to comply with a previous Order of the Director of the Department (hereinafter "Director") related to its FreedomFlex advertisements, in violation of §374.046.12.¹

5. FSL directly or indirectly made, published, disseminated, circulated, or placed before the public advertisements that inaccurately represented (a) ISM was a licensed administrator in the State of Missouri; (b) insurance coverage under the FreedomFlex product was renewable; (c) financial features were components of the insurance product; and (d) outdated statistical information in violation of §375.936(4) and §375.934.

6. FSL violated §375.144(2), in connection with the offer, sale, solicitation, or negotiation of insurance by misrepresenting that the life insurance coverage under the FreedomFlex product was renewable for the insured's lifetime and that the certificate terminated when the insured attained the age 100.

7. FSL violated §375.144(2), in connection with the offer, sale, solicitation, or negotiation of insurance by misrepresenting that ISM was a licensed administrator in the State of Missouri.

8. FSL materially aided Certainty Financial Assurance, Inc. (hereinafter "CFA") in the violation of §376.1092.1 by utilizing CFA to issue certificates, collect premium, and administer

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

claims for Missouri residents, when CFA did not have a valid certificate of authority from the Director to act as a third-party administrator.

9. FSL failed to provide for competent administration of its insurance contracts in violation of §376.1084.2.

10. FSL provided false information to the Director in violation of §374.210.1(2), by representing that ISM did not market, solicit, or administer FSL's insurance products in Missouri, when in fact, FSL's Premium Administration Audit Report, complaint responses, Missouri certificates, and business agreement with ISM provide that ISM marketed and administered FSL's insurance products.

WHEREAS, FSL specifically alleges that it did not provide false information to the Director as alleged in the immediately preceding paragraph because ISM did not market or administer FSL's insurance products in Missouri.

WHEREAS, the Division and FSL have agreed to resolve the issues raised in the market conduct investigation 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.** FSL agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times, to reasonably ensure that the errors noted in this Stipulation do not recur. Such remedial actions shall include the following:

1. FSL agrees to cease the use in the State of Missouri of any life insurance advertisements identified as non-compliant in this market conduct investigation #265757.

2. FSL agrees to file all FreedomFlex life insurance advertisements with the Department for approval prior to use in the State of Missouri.

3. FSL agrees to ensure that all of its advertisements fully comply with all of the requirements set forth in 20 CSR 400-5.100(3) and (4).

4. FSL agrees to provide for competent administration of its insurance contracts to include, but not limited to, using only Missouri licensed persons or entities to administer the Company's insurance contracts, and revising its business agreements to describe accurately the authority delegated to third parties.

5. FSL agrees to ensure that CFA, as well as any other person or entity through which it sells its insurance products are properly licensed in Missouri prior to selling FSL products, collecting charges or premiums from, adjusting or settling claims on residents of this state, or providing other services. FSL further agrees to conduct an audit of all third-party administrators operating on its behalf in Missouri, at least semiannually², to verify licensure status and whether policies are being administered in accordance with FSL policy and Missouri law.

6. FSL agrees to send written communication to all Missouri policy or certificate holders notifying them that ISM is no longer the administrator of their insurance contracts.

C. **Compliance.** FSL 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. Such documentation is provided pursuant to §374.190.

D. **Voluntary Forfeiture.** FSL agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$51,000 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

E. **Other Penalties.** The Division agrees that it will not seek penalties against FSL, other

² At least one of the reviews should be an on-site audit pursuant to §376.1084.3.

than those agreed to in this Stipulation, in connection with the above-referenced market conduct investigation.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by FSL, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct investigation.

G. **Waivers.** FSL, 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 market conduct investigation #265757.

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

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 FSL 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 by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director approving this Stipulation.

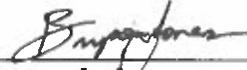
M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 7-21-2020



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

DATED: 7/16/2020



Bryson L. Jones
Vice President
Fidelity Security Life Insurance Company