

STATE OF MINNESOTA  
COMMISSIONER OF COMMERCE

In the Matter of the Certificate of Authority of  
Universal Underwriter Life Insurance Company, a  
Kansas corporation licensed to do business in the State  
of Minnesota, Respondent.

CONSENT ORDER

Commissioner of Commerce Glenn Wilson (hereinafter "Commissioner") has determined as follows:

1. Universal Underwriters Life Insurance Company (hereinafter "Respondent"), is a corporation licensed and authorized to engage in the business of insurance in Minnesota. The Minnesota Department of Commerce ("Department") initiated a market conduct examination of Respondent for the time period from January 1, 1996 to June 30, 2002, ("the Examination" or "the Examination Period") that specifically focused on Respondent's credit insurance business.

2. Among other things, the Examination disclosed that, during the Examination Period, Respondent sold approximately 16,000 credit insurance policies to Minnesota residents in connection with the purchase of motor vehicles. During the same period Respondent processed 452 claims filed by 356 Minnesota residents. Only about 2% of the Minnesota consumers insured by the Respondent submitted claims. Approximately 129 of the 452 claims were denied (29 percent). From a sample of 48 claims reviewed by the Department, almost 90 per cent were denied because the claimant was ineligible at the time the policy was purchased. The Respondent's loss ratios for the period from 1996 to 2002 was approximately 13% based upon claims paid to premiums collected (\$1,258,085 and \$9,568,368 respectively).

3. The Commissioner has advised Respondent that as a result of the Examination, the Commissioner is prepared to commence formal proceedings in accordance with the provisions of Minn. Stat. § 45.027 (2002) against Respondent's Certificate of Authority to engage in the business of insurance in Minnesota based on allegations that Respondent has violated the following Minnesota law:

- a. Failure to obtain knowing consent to the purchase of credit insurance in violation of Minn. Stat. § 72A.20, subd. 18 (2002) and Minn. R. 2700.3200, subpt. 2 (2001);
- b. Failure to timely cancel policies upon request, in violation of Minn. Stats. §§ 62B.08, subd. 2 and 72A.20, subd. 18 (2002);
- c. Failure to ensure full disclosure of eligibility requirements and failure to screen prospective enrollees for eligibility, in violation of Minn. Stat. § 72A.20, subd. 2 (2002) and Minn. R. 2790.0400, .0500 and .0600 (2001);
- d. Failure to adequately disclose exceptions to coverage and preexisting condition provisions of Respondent's policies, in violation of Minn. Stat. § 72A.20, subd. 18 (2002) and Minn. R. 2790.0400 and .0600 (2001);
- e. Use of unlicensed and unappointed agents in the sale of insurance, in violation of Minn. Stats. §§ 60K.32, .48 and .49 (2002); and
- f. Failure to provide an approved Minnesota Life and Health Insurance Guaranty Association notice to applicants, in violation of Minn. Stats. §§ 61B.28, subd. 7 and 72A.20, subd. 18 (2002).

4. Respondent acknowledges that it has been advised of its right to a hearing in these matters, to present argument to the Commissioner and to appeal from any adverse determinations

after a hearing and Respondent hereby expressly waives those rights. Respondent further acknowledges that it has been represented by legal counsel throughout these proceedings.

5. Respondent denies the above allegations but, in order to avoid the time and expense of litigation, has agreed to informal disposition of these matters without a hearing as provided under Minn. Stat. § 14.59 (2002) and Minn. R. 1400.5900 (2001). The Commissioner agrees that informal disposition of these matters as set forth below reasonably resolves the matters investigated during the Department's market conduct examination.

6. The following Order is in the public interest.

**NOW, THEREFORE, IT IS HEREBY ORDERED**, as follows:

1. Respondent shall cease and desist from the sale, solicitation or negotiation of credit insurance in Minnesota until it establishes to the satisfaction of the Commissioner that it has taken the following actions:

- a. Establishment of policies and procedures to prevent enrollment of Minnesota residents in Respondent's credit insurance by false pretenses or through misrepresentation without the knowledge and affirmative assent of the enrollee;
- b. Establishment of initial and ongoing training programs for sales personnel in the sale, solicitation or negotiation of credit insurance in Minnesota, including training on full and accurate disclosure regarding the nature of the insurance, screening for eligibility and applicable exclusions and limitations, with verification of completion of training;
- c. Verification or completion of licensure of all dealerships in Minnesota as well as licensure and appointment of all personnel within the dealerships involved in the sale, solicitation or negotiation of credit insurance;

- d. Filing and use of application forms that satisfy all disclosure requirements including, but not limited to, placement of language regarding preexisting conditions limitations;
- e. Use of an approved Minnesota Guaranty Association Notice with verification process to ensure delivery to certificateholders upon application; and
- f. Establishment and performance of audit procedures to ensure compliance with all of the foregoing provisions.

2. Respondent shall cease and desist from paying commissions to entities and persons not licensed to sell, solicit, or negotiate insurance in Minnesota;

3. Respondent shall cancel all policies and refund all premiums paid by certificateholders who purchased Respondent's credit insurance from January 1, 1999 to February 28, 2003, who were unaware that they purchased credit insurance and do not wish to keep it in effect, or that were required to purchase, Respondent's credit insurance or were ineligible for such coverage, and who have not made claims against the policies they purchased. Respondent shall use the following procedure in making the cancellations and refunds required by this paragraph:

- a. On or before March 1, 2004, Respondent shall send letters in the form of Exhibit A to all Minnesota certificateholders who were enrolled in its credit insurance from January 1, 1999 to February 28, 2003, and who have not made claims on the coverage. Each certificateholder shall be provided with a self-addressed, stamped envelope, and shall have 30 days from the date of mailing to respond.
- b. No later than May 1, 2004, Respondent shall provide to the Department the names and addresses of all certificateholders to whom it mailed Exhibit A and state, for

each Certificateholder, whether delivery of Exhibit A was successful. For each certificateholder whom Respondent was unable to effect successful delivery of Exhibit A, Respondent shall identify every effort made to effect delivery.

- c. Respondent shall promptly cancel the credit insurance of certificateholders who request cancellation. For those certificateholders who indicate that they were unaware that they had purchased credit insurance, Respondent shall conduct a reasonable investigation and, unless such investigation demonstrates credible evidence that the certificateholder did voluntarily purchase credit insurance, promptly refund all insurance premiums collected from each such certificateholder. The certificateholder's signature on Respondent's application form, in and of itself, shall not constitute evidence of voluntary enrollment.
- d. Within 90 days of the deadline for certificateholders to respond to Exhibit A, Respondent shall provide to the Commissioner a full report, including but not limited to the following: (1) the number of responses received, (2) the number of certificateholders who requested cancellation and/or a refund, (3) the number of certificateholders who received refunds, and (4) the total amount refunded. Respondent shall also identify all certificateholders who requested a refund whom Respondent deemed to be ineligible for a refund. If the Commissioner finds that Respondent improperly declined to refund any premiums, Respondent shall make such refunds as required by the Commissioner.

4. Respondent shall investigate all claims submitted by Minnesota residents who purchased credit insurance from January 1, 1996 to February 28, 2003, which were denied on the basis of ineligibility as defined in the certificate of insurance. Respondent shall pay all such

claims unless Respondent can show by clear and convincing evidence that the certificateholder fraudulently obtained insurance coverage. Respondent shall use following procedures in paying claims as required by this paragraph:

- a. Respondent shall pay all claims as required by this paragraph no later than February 1, 2004.
- b. No later than April 1, 2004, Respondent shall provide to the Commissioner a full report, including but not limited to: (1) names and addresses of all certificateholders to whom it has made payment and amount and date paid on each claim, (2) names and addresses of all certificateholders whose claims were denied from January 1, 1996 to February 28, 2003 who Respondent has determined are not entitled to payment under this paragraph and the basis for that determination, and (3) the names and addresses of all certificateholders to whom it has attempted to make payment but was unable to locate.
- c. For each certificateholder whom Respondent was unable to effect successful delivery of payment, Respondent shall identify every effort made to effect delivery.
- d. If the Commissioner finds that Respondent improperly declined to pay any claims, Respondent shall make such payments as required by the Commissioner.

**FURTHER, IT IS HEREBY ORDERED**, the Examination shall remain open and the Department shall continue its oversight of Respondent until such time as the Department notifies Respondent that Respondent has satisfactorily implemented the measures set forth herein.

**FURTHER, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. § 45.027, subd. 6 (2002) that Respondent shall pay to the State of Minnesota a civil penalty of \$200,000.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: \_\_\_\_\_

1/21/04

GLENN WILSON  
Commissioner of Commerce  
State of Minnesota

By: \_\_\_\_\_



Patrick Nelson  
85 Seventh Place East, Suite 500  
St. Paul, MN 55101  
Telephone: (651) 296-2488

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of Universal Underwriters Life Insurance Company, states that s/he has read the foregoing Consent Order; that s/he knows and fully understands its contents and effect; that s/he is authorized to execute this Consent to Entry of Order on behalf of Respondent; that s/he has been advised of Respondent's right to a hearing; that Respondent has been represented by legal counsel in this matter; or that s/he has been advised of Respondent's right to be represented by legal counsel and that s/he has waived this right; and that s/he consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

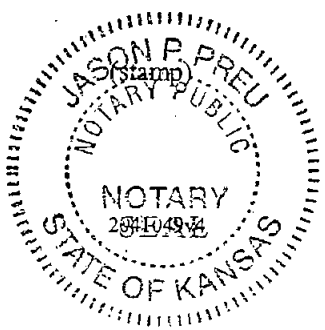
Universal Underwriters Life Insurance Company

By: [Signature]

Its: Executive Vice President

State of KANSAS  
County of JOHNSON

This instrument was acknowledged before me on 1/7/04 (date) by MIKE McHUGH (name(s) of person(s)) as OFFICER (type of authority, e.g., officer, trustee, etc.) of JULIC (name of party on behalf of whom the instrument was executed).



[Signature]  
(Signature of notary officer)

JASON P. PREU  
My commission expires: 11/29/04