

LONG TERM CARE EXAMINATION  
OF  
UNUM LIFE INSURANCE COMPANY OF AMERICA  
AS OF  
NOVEMBER 30, 2006

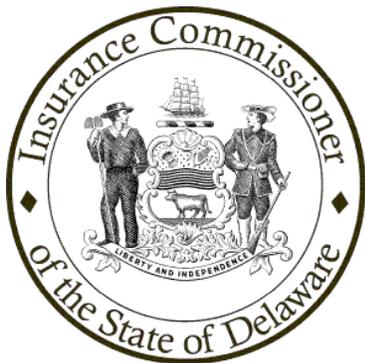
I, **Matthew Denn**, Insurance Commissioner of the State of Delaware, do hereby certify that the attached **Long Term Care Market Conduct Report On Examination**, made as of **November 30, 2005**, of the

**UNUM LIFE INSURANCE COMPANY OF AMERICA**

is a true and correct copy of the document filed with this Department.

Attest By: Antoinette Handy

Date: 8 December 2006



*In Witness Whereof*, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 8TH day of DECEMBER, 2006.

A handwritten signature in black ink that reads "Matthew Denn".

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Matthew Denn  
Insurance Commissioner

**REPORT ON LONG TERM CARE MARKET CONDUCT EXAMINATION**  
OF THE  
**UNUM LIFE INSURANCE COMPANY OF AMERICA**  
AS OF  
**NOVEMBER 30, 2005**

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", is written over a horizontal line.

MATTHEW DENN  
INSURANCE COMMISSIONER

DATED this 8TH day of DECEMBER, 2006.

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Unum Life Insurance Company of America

SALUTATION

October 9, 2006

Honorable Matthew Denn  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Denn;

In compliance with the instructions contained in Certificate of Examination Authority Number 05.794, and pursuant to the statutory authority provided by 18 Del.C. §318-322, a target market conduct examination has been conducted of the affairs and practices of:

**0565-62235 Unum Life Insurance Company of America**

hereinafter referred to as the "Company" or "UNUM". UNUM is incorporated under the laws of the State of Maine. This examination reviewed only the operations of UNUM as they impact residents, policyholders, and claimants residing in the State of Delaware. The on-site phase of the examination was conducted at the following location:

**2211 Congress Street  
Portland, ME 04122**

The examination is as of November 30, 2005.

Examination work was also conducted off-site and at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI."

This report of the examination thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination was limited in scope. The examination conducted a review of long term care insurance subject to Delaware jurisdiction as issued by UNUM. The specific focus of the examination was whether the Company provided and complied with the cost disclosure notice required by Delaware Regulation 1404 §6.1.4. A determination of compliance was made by reviewing contract language and premium rates on renewal of the Delaware policies.

This examination report is a report by test.

Controls and management processes were not reviewed.

## **HISTORY AND PROFILE**

Unum Life Insurance Company of America ("Unum"), Provident Life and Accident Insurance Company ("PLA") and Paul Revere Life Insurance Company ("PRL") are subsidiaries of UnumProvident Corporation ("UnumProvident"), a Delaware corporation. UnumProvident was formed on June 30, 1999 as a result of the merger between the Provident Companies and Unum Corporation.

The four primary operations centers for Unum, PLA and PRL are located in Chattanooga, Tennessee, Portland, Maine, Worcester, Massachusetts and Glendale, California.

Unum was incorporated in Maine as Community Life Insurance Company on August 24, 1966. Principal owners were Texas State Network, Keystone State and Keystone Health. Unum Holding Company (at the time called Union Mutual Corporation) acquired majority interest on May 20, 1969. The remaining shares were acquired by Unum Holding Company in 1969, 1971, and 1972. The name of the Company was changed to Union Mutual Life Insurance Company of America on June 10, 1970, then to Union Mutual Stock Life Insurance Company of America on May 28, 1971. On November 18, 1986, the name was changed to Unum Life Insurance Company of America. On December 31, 1991, Unum became the survivor of the merger with Unum Life Insurance Company and Unum Pension and Insurance Company. Unum's primary products include short term disability and group and individual long term disability insurance as well as long term care insurance and group life insurance.

PRL was incorporated in Massachusetts on June 10, 1930, and commenced business on July 10, 1930. The Company was incorporated as a stock company authorized to write both life and health insurance. PRL is licensed to transact business in all fifty states and the District of Columbia. On March 27, 1997, Provident Companies acquired the Paul Revere Corporation which was the ultimate parent company of the Paul Revere insurance subsidiaries. PRL's primary products include individual and group long term disability insurance.

PLA was incorporated in Tennessee in 1887. It was reincorporated as a stock company in 1910. PLA is licensed to transact business in all states, except New York, and the District of Columbia.

The company primarily markets individual long term disability insurance as well as life insurance through an employee-paid voluntary benefits program.

## METHODOLOGY

As noted in the SCOPE, this examination is based on the requirement in Delaware Regulation 1404 §6.1.4. This section of the regulation demands mandatory compliance with an expressed premium rate increase limitation required on the face page of all long term care policies. The premium rate limitation is determined as a percentage of the prior year's modal premium. The amount of the percentage limitation on the annual increase is determined by the issuing insurance company, however, once a policy is issued, the company is bound not to exceed this expressed percentage unless the insured voluntarily elects additional benefits. The scope of the examination involved testing premium rate increases between the years 2000 to 2005 in order to determine if the premium increases complied with the percentage increase limitation expressed by the mandatory disclosure language required on all contracts subject to Delaware jurisdiction. The test involved reviewing the percentage increases in premium, and determining whether or not increases exceeding the expressed limitation were permitted under Delaware law.

## STANDARDS FOR REVIEW

The evaluation of issues subject to this examination is based on a review of Company responses to information requests, questions, interviews, presentations made to the examiner, and file sampling. A standard has been designed and applied to address the concerns of this examination. The standard appears below with comment and examination results.

### Standard 1

**Contracts contain appropriate cost disclosure on the cover page of the contract, or certificate of coverage and on the Outline of Coverage associated with the contract. The Company adhered to the disclosure during the period under review.**

18 Del. C. §318(a); 18 Del. C. §508(b); 18 Del. C. §7101 et seq.; 18 DE Reg 1404 §6.1.4

A review was conducted of the policies, applications, Outlines of Coverage and certificates utilized to provide Delaware residents with Long Term Care Coverage. Additional information sufficient to provide context was reviewed to support assertions made by the Company and observations and conclusions made by the examiners.

The basis for this Standard is found in Delaware Regulation 1404 §§6.1.4.1 and 6.1.4.2.

Regulation 1404 §6.1.4.1 states: "The following cost disclosure information shall appear in bold print on the cover page of every individual policy and Outline of Coverage issued or delivered in this state: 'This policy provides only the following price protection, and no more. Your premiums may not increase by more than X% during any given calendar year and your benefits may not decrease. Any

representations that these increases will not take place are unauthorized and shall not be relied upon.” **This section applies to individual long term care policies.**

Regulation 1404 §6.1.4.2 states: “The following cost disclosure information shall appear in bold print on the cover page of every certificate and Outline of Coverage issued or delivered in this state: ‘This policy provides only the following price protection, and no more. Your premiums are guaranteed to remain the same for the first three (3) years this policy is in force. Your premiums may not increase by more than X% during any three year rating period. Insurers will be allowed a carry forward of the initially disclosed maximum premium increase, but said carry forward is lost within twenty-four (24) months if not utilized.’” **This section applies to insurance issued under a group long term care policy.**

*Results:* **Pass.**

*Observations:* The language required by the Regulation imposes through contract law a limitation on the percentage increase the Company can impose annually. The Company is permitted to place any percentage increase amount on the policy form, however, once the form is purchased, the Company is bound by the percentage limitation stated.

The Company provided its rate history from January 1, 2000 through November 30, 2005 for policies or group contracts subject to Delaware jurisdiction. The rates were reviewed for each insured to determine whether there were any increases exceeding the expressed contract percentage limitation increase. All exceptions (i.e., price changes between years exceeding the expressed percentage amount) were reviewed to determine whether the insured voluntarily increased benefit levels, thereby nullifying the percentage limitation through novation. Price changes were reviewed, and all specific policies affected by price change were determined to have changed in accordance with statute and contractual terms.

*Recommendations:* None.

## **SUMMARY**

Unum Life Insurance Company of America is incorporated under the laws of the State of Maine. This examination reviewed the compliance of UNUM’s long term care business with Delaware Regulation 1404 §§6.1.4.1 and 6.1.4.2

## **LIST OF RECOMMENDATIONS**

No recommendations made.

**CONCLUSION**

The examination conducted by Peter K. Schaeffer, Jr., Esq., CFE is respectfully submitted,

A handwritten signature in black ink, appearing to read "Peter K. Schaeffer, Jr.", with a stylized flourish at the end.

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Peter K. Schaeffer, Jr., Esq., CFE  
Market Conduct Examiner-in-Charge.  
Insurance Department  
State of Delaware