

Report on  
Market Conduct Examination

of

Northwestern Long Term Care Insurance Company  
Milwaukee, Wisconsin

by Representatives of the  
North Carolina Department of Insurance

as of

July 28, 2015

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Raleigh, North Carolina  
July 28, 2015

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Ted Nickel  
Commissioner of Insurance  
Office of the Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
GEF-III - Second Floor  
Madison, Wisconsin 53703-3474

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

**Northwestern Long Term Care Insurance Company**  
**(NAIC # 69000)**  
NAIC Exam Tracking System Exam Number: NC299-M79  
Milwaukee, Wisconsin

hereinafter generally referred to as the Company, at the Company's office located at 720 East Wisconsin Avenue, Milwaukee, Wisconsin, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The North Carolina Department of Insurance conducted a limited-scope examination of the Company. This examination commenced on June 22, 2015, and covered the period of January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through July 24, 2015. This action was taken due to market analysis on long-term care. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in underwriting practices and claims practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate section of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 7 percent for claims practices; and 10 percent for all other areas reviewed.

## **EXECUTIVE SUMMARY**

This market conduct examination revealed no concerns with Company procedures and practices in the areas of underwriting practices and claims practices.

All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking "INSURANCE DIVISIONS" then "Legislative Services".

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

## UNDERWRITING PRACTICES

### Individual Long-Term Care Issued

The Company provided a listing of 1,954 individual long-term care issued files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a policy was 34 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	2	4.0
8 - 14	3	6.0
15 - 21	10	20.0
22 - 30	14	28.0
31 - 60	17	34.0
Over 60	4	8.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

### Individual Long-Term Care Declined

The Company provided a listing of 366 individual long-term care declined files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and decline an application was 40 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
8 - 14	3	6.0
15 - 21	9	18.0
22 - 30	12	24.0
31 - 60	26	52.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

### Individual Long-Term Care Issued Substandard

The Company offers long term care coverage for risks deemed uninsurable at standard rates by normal standards. These substandard issued policies typically reflect higher rates based on an applicant's medical history such as chronic conditions controlled by medication; smokers with no related symptoms; or BMI that meets the definition of overweight but not obese; which may not necessarily warrant an outright denial of coverage. The decision to offer these substandard policies is determined during the application review and underwriting process.

The Company provided a listing of 214 individual long-term care issued substandard files. Fifty files were randomly selected for review. The review revealed that for one file (2.0 percent error ratio) an 'Adverse Underwriting Decision' letter (AUD notice) was not sent to the applicant.

The average service time to underwrite and issue a substandard policy was 44 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
8 - 14	2	4.0
15 - 21	4	8.0
22 - 30	12	24.0
31 - 60	32	64.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

### Individual Long-Term Care Replacements

The entire population of 11 individual long-term care policy replacement files was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a replacement policy was 10 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	3	27.3
8 - 14	8	72.7
<b>Total</b>	<b>11</b>	<b>100.0</b>

### **CLAIMS PRACTICES**

#### Individual Long-Term Care Claims Paid

The entire population of 15 individual long-term care claims paid files was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was 33 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	1	6.7
8 - 14	2	13.3
15 - 21	3	20.0
22 - 30	3	20.0
31 - 60	6	40.0
<b>Total</b>	<b>15</b>	<b>100.0</b>

#### Individual Long-Term Care Claims Denied

The entire population of one individual long-term care claim denied file was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination. The service time to process this claim denial was 58 days.

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Department has no comments, recommendations or directives for the Company as of this report.

### **CONCLUSION**

A target examination has been conducted on the market conduct affairs of Northwestern Long Term Care Insurance Company for the period January 1, 2013, through December 31,



2013, with analyses of certain operations of the Company being conducted through July 24, 2015.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of underwriting practices and claims practices.

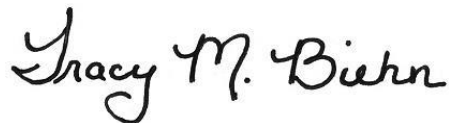
In addition to the undersigned, Darla Wright, North Carolina Market Conduct Senior Examiner participated in this examination and the preparation of this report.

Respectfully submitted,



Scott D. Grindstaff, HIA, MHP  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy M. Biehn, LPCS, MBA  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina