

JUL 14 2000

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY [Signature]

<p>1 2 3 4 5 6 7</p>	<p>In the Matter of: UNITED AMERICAN INSURANCE COMPANY, NAIC #92916, Respondent.</p>	<p>) Docket No. 00A-110-INS)) CONSENT ORDER))))</p>
--	--	--

8 A market conduct examination was made of United American Insurance Company,
 9 hereinafter referred to as "United American", by Market Conduct Examiners for the Arizona
 10 Department of Insurance (the "Department"), covering the time period from March 1, 1991 to June
 11 30, 1994. Based upon the examination results, it is alleged that United American has violated A.R.S.
 12 §§ 20-461, 20-2104, and A.A.C. R20-6-215, R20-6-801, R20-6-1007, R20-6-1112, and R20-1114.

13 Respondent wishes to resolve this matter without formal proceedings, admit that the
 14 following Findings of Fact are true, and consent to the entry of the following Conclusions of Law
 15 and Order.

16 **FINDINGS OF FACT**

- 17 1. United American is authorized to transact life and disability insurance as an insurer,
 18 pursuant to a Certificate of Authority issued by the Director.
- 19 2. The Director authorized the Examiners to conduct a market conduct examination of
 20 United American, and the Examiners prepared the Report of Examination of the Market Conduct
 21 Affairs of United American ("the Report").
- 22 3. The Examiners reviewed 166 whole life policies issued by United American, and found
 23 that United American failed to require a statement of the agent on 74 applications as to whether the
 24 agent knew if replacement was involved in the transaction.

25

1
2 4. The Examiners reviewed the four policies issued by United American during the time
3 period of the examination which replaced existing policies of life insurance, and found that United
4 American failed to send Notices Regarding Replacement of Life Insurance to the existing insurers of
5 one policy within three working days of the date the applications were received at the home office,
6 and or the date the policies were issued, whichever was sooner.

7 5. The Examiners reviewed 247 claims and found that United American, failed to
8 acknowledge receipt of 19 claims within ten working days.

9 6. United American purged health and Medicare supplement declinations and cancellations
10 for the period from March 1, 1991 through June 30, 1993. Therefore, United American was unable
11 to produce for review 1,183 files from the time frame of the examination. United American
12 changed its records retention system in October of 1994.

13 7. The Examiners reviewed 224 Medicare supplement policies issued by United American
14 and found that United American failed to provide all 224 applicants with the "Notice of Insurance
15 Information Practices" when personal information was obtained regarding the applicant.

16 8. The Examiners reviewed 160 of the 224 Supplement policies issued by United
17 American that involved replacement of other Medicare supplement coverage. The Examiners found
18 as follows:

19 a. United American failed to maintain a copy of the "Notice Regarding
20 Replacement of Medicare Supplement Insurance" in the files of 14 applicants.

21 b. United American failed to record the reasons for replacement on the "Notice of
22 Replacement of Medicare Supplement Insurance" on six replacement policies.

23 c. United American failed to furnish one insured whose application involved
24 replacement of existing coverage with the correct "Notice Regarding Replacement of Medicare
25 Supplement Insurance.

9. The Examiners reviewed 58 of the 84 internal replacement Medicare Supplement
applications issued by United American and found as follows:

1 a. United American stated inaccurate reasons for replacement of the existing
2 Medicare Supplement coverage on 21 Notices of Replacement.

3 b. United American failed to maintain a copy of the "Notice Regarding
4 Replacement of Medicare Supplement Insurance" in the files of four applicants.

5 c. United American failed to include all the questions concerning replacement as
6 outlined in the rules on one application.

7 d. United American provided a "Notice Regarding Replacement of Medicare
8 Supplement Insurance" to one applicant which was not the same as or substantially similar to the
9 form as required by A.A.C. R20-6-1114(E).

10 e. United American paid commission on eleven replacement policies that were
11 greater than the renewal commission rate payable on the policies.

12 10. The Examiners reviewed 54 long-term care applications, and found as follows:

13 a. United American failed to ask the questions required by A.A.C. R20-6-1007(A)
14 and (B) on three applications

15 b. United American failed to notify the existing insurer of the proposed
16 replacement of three policies within five working days of the date the applications were received or
17 the date the policy was issued, whichever was sooner.

18 CONCLUSIONS OF LAW

19 1. United American violated A.A.C. R20-6-215(F)(2)(b) by failing to require agents to sign
20 statements as to whether he/she had knowledge that replacement was or may be involved in the
21 transaction.

22 2. United American violated A.A.C. R20-6-215(F)(3)(c) by failing to send Notices
23 Regarding Replacement of Life Insurance to the existing insurers of one policy within three working
24 days of the date the application was received at the home office, or the date the policy was issued,
25 whichever was sooner.

1 3. United American violated A.A.C. R20-6-801(E)(1) and A.R.S. § 20-461(A)(2) by failing
2 to acknowledge receipt of notification of claims within ten (10) working days of receipt.

3 4. United American violated A.R.S. § 20-2104(A)(1) by failing to send "Notices of
4 Insurance Information Practices" to all Medicare supplement applicants after personal information
5 was obtained on the applicants.

6 5. United American violated A.A.C. R20-6-1114(D), as follows:

7 a. by failing to maintain copies of Notices of Replacement to all Medicare
8 supplement policies where replacement was involved.

9 b. by obtaining incorrect "Notices Regarding Replacement of Medicare
10 Supplement Insurance."

11 c. by failing to record the reason for replacement on the Notice of Replacement of
12 Medicare Supplement Insurance.

13 d. by failing to furnish applicants with the correct "Notice Regarding Replacement
14 of Medicare Supplement Insurance when replacement of existing coverage was involved.

15 6. United American violated A.A.C. R20-6-1112(C) by paying commission rates on
16 Medicare supplement coverage in excess of its renewal commission rates.

17 7. United American violated A.A.C. R20-6-1114(A) and (B) by providing a Notice of
18 Replacement to one applicant which failed to include all questions as outlined in the rules.

19 8. United American violated A.A.C. R20-6-1114(E) by providing a Notice of Replacement
20 to one applicant which was not the same as or substantially similar to the form outlined in the rules.

21 9. United American violated A.A.C. R20-6-1007(A) and (B) by failing to ask the questions
22 required by A.A.C. R20-6-1007 on long-term care applications.

23 10. United American violated A.A.C. R20-6-1007(E) by failing to notify the existing insurer
24 of replacement within five working days from the date the application was received, or the date the
25 policy was issued, whichever was sooner.

1 11. Grounds exist for the entry of the following Order, in accordance with A.R.S. § 20-220,
2 20-456, 20-1691.07 and 20-2117.

3 ORDER

4 **IT IS HEREBY ORDERED THAT:**

5 1. Respondent shall:

6 a. Require a signed statement of the agent on life insurance applications as to
7 whether the agent has knowledge that replacement is involved in the transaction.

8 b. Send "Notices Regarding Replacement of Life Insurance" to existing insurers
9 within three working days of the date that applications are received at the home office, or the date
10 the policies are issued, whichever is sooner.

11 c. Acknowledge receipt of claims within ten working days.

12 d. Provide files requested by the Director or his designees.

13 e. Provide medicare supplement applicants with "Notices of Insurance
14 Information Practices" when personal information is obtained concerning the applicant.

15 f. Send or retain copies of Notices of Replacement for its records where
16 replacement is involved.

17 g. Not pay commissions on replacement Medicare supplement policies greater
18 than the renewal commission rates payable on those policies.

19 h. Ask the questions required by A.A.C. R20-6-1007 for long-term care insurance.

20 i. Notify existing insurers of the replacement of long-term care policies within five
21 working days from the date the application is received or the date the policy is issued whichever is
22 sooner.

23 j. Not state inaccurate reasons for replacement of Medicare supplement polices on
24 Notices Regarding Replacement.

25 2. Within 90 days of the filed date of this Order, United American shall submit corrective
action plans as follows to the Arizona Department Of Insurance for approval:

1 a. New or modified written procedures regarding the requirements of A.A.C. R20-
2 6-215, R20-6-1007 and R20-6-1114, to be disseminated to all underwriting personnel.

3 b. New or modified written procedures regarding the requirements of A.A.C. R20-
4 6-801(E)(1) to be promptly disseminated to all claims personnel.

5 c. New or modified written procedures to ensure a "Notice of Information
6 Practice" is provided to applicants when personal information is obtained in accordance with A.R.S.
7 § 20-2104(A)(1).

8 d. New or modified written procedures regarding the requirements of A.A.C. R20-
9 6-1112(C) to be promptly disseminated to all appropriate personnel.

10 3. The Department shall be permitted, through authorized representatives, to verify that
11 United American have complied with all provisions of this Order.

12 4. United American shall pay a civil penalty of \$25,000 to the Director for remission to the
13 State Treasurer for deposit in the State General Fund in accordance with A.R.S. §20-220(B), 20-456,
14 20-1691.07 and 20-2117. The civil penalty shall be provided to the Market Conduct Examination
15 Division of the Department prior to the filing of this Order.

16 5. The June 30, 1994 Report of Examination, and the letter of objection to the Report
17 filed by United American, shall be filed with the Department after this Order is issued.

18 DATED at Phoenix, Arizona this 13th day of July, 2000.

19 
20 _____
21 Charles R. Cohen
22 Director of Insurance
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CONSENT TO ORDER

1. Respondent, United American Insurance Company has reviewed the foregoing Order.

2. United American admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. United American is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. United American irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.

4. United American states that no promise of any kind or nature whatsoever was made to them to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

5. United American acknowledge that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Keith P. Ryan, who holds the office of Vice President of United American, is authorized to enter into this Order for it and on its behalf.

UNITED AMERICAN INSURANCE COMPANY

July 10, 2000
(Date)

By Keith P. Ryan

1 COPY of the foregoing mailed/delivered
2 This 14th day of July 2000, to:

3 Sara Begley
4 Deputy Director

5 Paul J. Hogan
6 Chief Market Conduct Examiner
7 Market Conduct Examinations Division

8 Mary Butterfield
9 Assistant Director
10 Consumer Affairs Division

11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division

14 Nancy Howse
15 Chief Financial Examiner
16 Corporate & Financial Affairs Division

17 Terry Cooper
18 Manager
19 Fraud Unit

20 DEPARTMENT OF INSURANCE
21 2910 North 44th Street, Suite 210
22 Phoenix, AZ 85018

23 Ms. Christy C. Brown
24 C/O United American Insurance Company
25 2999 North 44th Street, Suite 250
Phoenix, AZ 85018

