

JAN 18 2001

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY CP

In the Matter of:	)	Docket No. 01A-016-INS
	)	
<b>UNITED STATES LIFE INSURANCE COMPANY</b>	)	<b>CONSENT ORDER</b>
<b>IN THE CITY OF NEW YORK,</b>	)	
	)	
NAIC # 70106;	)	
	)	
Respondent.	)	
	)	

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of United States Life Insurance Company in the City of New York ("USLNY"). The Report of the Examination of the Market Conduct Affairs of USLNY, dated May 20, 1999, alleges that USLNY has violated A.R.S. §§ 20-297, 20-448.01, 20-461, 20-462, 20-466.03, 20-485.01, 20-1662, 20-2110, 20-2309, A.A.C. R20-6-218, R20-6-801, and R20-6-1203.

USLNY wishes to resolve this matter without formal adjudicative proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. USLNY is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.
2. The Examiners were authorized by the Director to conduct a market conduct examination of USLNY. The on-site examination covered the time period from April 15, 1995 through April 14, 1998, and was concluded on May 20, 1999. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of United States Life Insurance Company in the City of New York" dated May

1 20, 1999.

2 3. The Examiners reviewed the agent's lists submitted to the Department by  
3 the Company during the time frame of the examination and found that USLNY failed to  
4 submit the required list for years 1995 and 1997.

5 4. The Examiners reviewed all of USLNY's advertising materials used during  
6 the time frame of the examination and found that none of the Company's mass  
7 marketed advertising materials had been submitted to the Department prior to their  
8 distribution in Arizona.

9 5. The Examiners reviewed 27 of 27 administrative service and commission  
10 agreements between the Company and its TPA's that were in force during the time  
11 frame of the examination and found that USLNY failed to include language in 15  
12 contracts that required the insurer to provide the Director with written notice of any  
13 changes to the contract within 15 days of those changes.

14 6. The Examiners reviewed 50 group medical underwriting files processed by  
15 the Company during the time frame of the examination and found that USLNY failed to  
16 notify 27 employers of the reason(s) for a rate increase at renewal.

17 7. The Examiners reviewed 50 disability income underwriting files processed  
18 by the Company during the time frame of the examination and found that USLNY failed  
19 to provide two applicants with a Summary of Rights.

20 8. The Examiners reviewed all of the forms used by the Company during the  
21 time frame of the examination and found as follows:

- 22 a. USLNY failed to file a list of exempt forms with the Department.
- 23 b. USLNY failed to file its HIV-related test consent form.
- 24 c. USLNY failed to print a warning notice regarding the filing of a  
25 fraudulent claim on its claim forms.

1           9.    The Examiners reviewed three of three individual policies declined by the  
2 Company during the time frame of the examination and found that USLNY failed to  
3 provide three applicants with a Summary of Rights.

4           10. The Examiners reviewed 91 of 188 group life insurance claims paid by the  
5 Company during the time frame of the examination and found that USLNY failed to pay  
6 interest on five claims that were not paid within 30 days of receipt of an acceptable  
7 proof of loss.

8           11. The Examiners reviewed 100 of 12,763 group medical and dental claims  
9 paid by the Company during the time frame of the examination and found as follows:

10           a.    USLNY failed to acknowledge the receipt of 64 claims within ten  
11 working days.

12           b.    USLNY failed to accept or deny 43 claims within 15 working days of  
13 receipt of an acceptable proof of loss.

14           c.    USLNY failed to pay interest on 22 claims that were not paid within 30  
15 days of receipt of an acceptable proof of loss.

16           12. The Examiners reviewed 100 of 13,799 group medical and dental claims  
17 closed without payment by the Company during the time frame of the examination and  
18 found as follows:

19           a.    USLNY failed to acknowledge the receipt of 66 claims within ten  
20 working days.

21           b.    USLNY failed to accept or deny 41 claims within 15 working days of  
22 receipt of an acceptable proof of loss.

23           c.    USLNY failed to pay interest on 22 claims that were not paid within 30  
24 days of receipt of an acceptable proof of loss.

25           13. The Examiners reviewed 32 of 32 excess medical claims paid by the TPA,

1 Albert H. Wohlers & Company, on behalf of USLNY, during the time frame of the  
2 examination and found as follows:

3 a. USLNY failed to acknowledge the receipt of 29 claims within ten  
4 working days.

5 b. USLNY failed to accept or deny 28 claims within 15 working days of  
6 receipt of an acceptable proof of loss.

7 c. USLNY failed to pay interest on 17 claims that were not paid within 30  
8 days of receipt of an acceptable proof of loss.

9 14. The Examiners reviewed 52 of 52 short term disability claims paid by the  
10 TPA, Administrative Consultants Inc., on behalf of USLNY, during the time frame of the  
11 examination and found as follows:

12 a. USLNY failed to acknowledge the receipt of 13 claims within ten  
13 working days.

14 b. USLNY failed to accept or deny 22 claims within 15 working days of  
15 receipt of an acceptable proof of loss.

16 c. USLNY failed to pay interest on 16 claims that were not paid within 30  
17 days of receipt of an acceptable proof of loss.

18  
19 **CONCLUSIONS OF LAW**

20 1. USLNY violated A.R.S. § 20-297 by failing to file a list of agents on an  
21 annual basis.

22 2. USLNY violated A.R.S. § 20-1662(2) by failing to file its mass marketing  
23 advertising materials prior to their use in Arizona.

24 3. USLNY violated A.R.S. § 20-485.01(B) by failing to notify the Department of  
25 changes in its administrative agreement within 15 days.

1 4. USLNY violated A.R.S. § 20-2309(A) by failing to notify employers of the  
2 reason(s) for a rate increase at renewal.

3 5. USLNY violated A.R.S. § 20-2110(A) by failing to provide its applicants and  
4 insureds with a Summary of Rights.

5 6. USLNY violated A.A.C. R20-6-218(B)(1) by failing to file a list of exempt  
6 forms with the Department.

7 7. USLNY violated A.R.S. § 20-448.01(B) and A.A.C. R20-6-1203(C) by using  
8 an unfiled HIV-related test consent form.

9 8. USLNY violated A.R.S. § 20-466.03 by failing to print a warning notice  
10 regarding the filing of a fraudulent claim on its claim forms.

11 9. USLNY violated A.R.S. § 20-462(A) by failing to pay interest on claims not  
12 paid within 30 days of receipt of an acceptable proof of loss.

13 10. USLNY violated A.R.S. § 20-461(A)(2) and A.A.C. R20-6-801(E)(1) by  
14 failing to acknowledge receipt of a claim within ten working days.

15 11. USLNY violated A.R.S. § 20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a) by  
16 failing to accept or deny claims within 15 working days after receipt of proof of loss.

17 12. Grounds exist for the entry of the following Order, in accordance with A.R.S.  
18 §§ 20-220, 20-456 and 20-2117.

19 **ORDER**

20 **IT IS ORDERED THAT:**

21 1. United States Life Insurance Company in the City of New York shall cease  
22 and desist from committing the following practices:

23 a Failing to file a list of its agents on an annual basis.

24 b. Failing to file its mass marketing advertising materials prior to their  
25 use in Arizona.

1 c. Failing to notify the Department of any changes in its administrative  
2 agreements within 15 days.

3 d. Failing to notify employers of the reason(s) for rate increases at  
4 renewal.

5 e. Failing to provide applicants and insureds with a Summary of Rights.

6 f. Failing to file a list of its exempt forms annually.

7 g. Failing to use a compliant HIV-related test consent form that has been  
8 filed with the Director.

9 h. Failing to print a warning notice regarding the filing of a fraudulent  
10 claim on its claim forms.

11 i. Failing to pay interest on claims not paid within 30 days after the  
12 receipt of an acceptable proof of loss.

13 j. Failing to acknowledge receipt of a claim within ten working days.

14 k. Failing to accept or deny claims within 15 working days after receipt of  
15 an acceptable proof of loss.

16 2. Within 90 days of the filed date of this Order, USLNY shall submit to the  
17 Arizona Department of Insurance, for approval, evidence that corrections have been  
18 implemented and communicated to the appropriate personnel, regarding all of the  
19 items listed above in the Paragraph 1 of the Order section of this Consent Order.  
20 Evidence of corrective action and communication thereof includes, but is not limited to,  
21 memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and  
22 training materials.

23 3. Within 90 days of the filed date of this Order, USLNY shall pay interest in  
24 the amount of \$1,892.36 to the 26 claimants listed in Exhibit A of this Order.

25 4. All payments made pursuant to Item 3 above shall be accompanied by a

1 letter acceptable to the Director. A list of payments, giving the name and address of  
2 each party paid, the amount of principal paid, the claim amount on which the interest  
3 payment was calculated, the amount of interest paid, and the date of payment, shall be  
4 furnished to the Market Conduct Division of the Department within 90 days of the filed  
5 date of this Order.

6 5. The Department shall be permitted, through authorized representatives, to  
7 verify that USLNY has complied with all provisions of this Order.

8 6. USLNY shall pay a civil penalty of \$33,000 to the Director for deposit in the  
9 State General Fund in accordance with A.R.S. § 20-220(B). The civil penalty shall be  
10 provided to the Market Conduct Examinations Division of the Department prior to the  
11 filing of this Order.

12 7. The Report of Examination of the Market Conduct Affairs of USLNY as of  
13 May 20, 1999, including the letter submitted in response to the Report of Examination,  
14 shall be filed with the Department after the Director has filed this Order.

15 DATED at Phoenix, Arizona this 17<sup>th</sup> day of January, 2001.

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17 Charles R. Cohen  
18 Director of Insurance  
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**EXHIBIT A**

**UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK**

Claims not paid within 30 days of receipt of an acceptable proof of loss

A.R.S. § 20-462 (A)  
GROUP LIFE INSURANCE CLAIMS

CLAIM NUMBER	CALENDAR DAYS	AMOUNT PAID	INTEREST DUE
96D3GRP/G169635	95	\$26,372.00	\$304.31
97D4GRP/G175276	35	\$164,826.00	\$746.94
9766GRP/G148673	82	\$8,333.00	\$291.63
97D8GRP/G148673	48	\$25,112.00	\$217.17
<b>TOTAL</b>			<b>\$1,560.05</b>

ALBERT H. WOHLERS & COMPANY  
EXCESS MAJOR MEDICAL CLAIMS

CLAIM NUMBER	CALENDAR DAYS	AMOUNT PAID	INTEREST DUE
179721-1001956	60	\$2,581.09	\$42.43
180630-1005043	69	\$809.37	\$15.30
178283-1002099	54	\$1,016.23	\$15.03
179442-1122126	71	\$576.81	\$11.22
178870-1116881	42	\$941.29	\$10.83
180217-1001647	49	\$541.97	\$7.28
179625-1000714	72	\$366.22	\$7.22
179879-1002008	85	\$232.95	\$5.42
<b>TOTAL</b>			<b>\$114.73</b>



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**EXHIBIT A**  
(CONTINUED)

ADMINISTRATIVE CONSULTANTS, INC.  
SHORT-TERM DISABILITY CLAIMS

CLAIM NUMBER	CALENDAR DAYS	AMOUNT PAID	INTEREST DUE
160133-005	32	\$4,800.00	\$42.08
160133-001	37	\$2,400.00	\$24.33
185114-000	49	\$1,560.00	\$20.94
160133-000	51	\$1,440.00	\$20.12
163037-000	42	\$1,400.00	\$16.11
216765-000	38	\$1,260.00	\$13.12
158436-000	46	\$967.00	\$12.19
166517-000	46	\$963.00	\$12.14
163249-000	51	\$853.00	\$11.92
213028-001	43	\$1,000.00	\$11.78
213028-000	36	\$1,000.00	\$9.86
163249-001	35	\$1,013.00	\$9.71
162252-000	52	\$500.00	\$7.12
228361-000	45	\$500.00	\$6.16
<b>TOTAL</b>			<b>\$217.58</b>

**CONSENT TO ORDER**

1  
2 1. United States Life Insurance Company in the City of New York has  
3 reviewed the foregoing Order.

4 2. United States Life Insurance Company in the City of New York admits the  
5 jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings  
6 of Fact, and consents to the entry of the Conclusions of Law and Order.

7 3. United States Life Insurance Company in the City of New York is aware of  
8 the right to a hearing, at which it may be represented by counsel, present evidence,  
9 and cross-examine witnesses. United States Life Insurance Company in the City of  
10 New York irrevocably waives the right to such notice and hearing and to any court  
11 appeals related to this Order.

12 4. United States Life Insurance Company in the City of New York states that  
13 no promise of any kind or nature whatsoever was made to it to induce it to enter into  
14 this Consent Order and that it has entered into this Consent Order voluntarily.

15 5. United States Life Insurance Company in the City of New York  
16 acknowledges that the acceptance of this Order by the Director of the Arizona  
17 Department of Insurance is solely for the purpose of settling this matter and does not  
18 preclude any other agency or officer of this state or its subdivisions or any other person  
19 from instituting proceedings, whether civil, criminal, or administrative, as may be  
20 appropriate now or in the future.

21 6. PHILLIP L. CHAPMAN, who holds the office of V.P. of  
22 United States Life Insurance Company in the City of New York is authorized to enter  
23 into this Order for it and on its behalf.

24 **UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK**

25 Jan 10, 2001  
Date

By:

Phillip L. Chapman

1 **COPY of the foregoing mailed/delivered**

2 **This 18th day of January, 2001, to:**

3  
4 Sara Begley  
5 Deputy Director  
6 Mary Butterfield  
7 Assistant Director  
8 Consumer Affairs Division  
9 Paul J. Hogan  
10 Chief Market Conduct Examiner  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates & Regulations Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 Alexandra Shafer  
18 Assistant Director  
19 Life & Health Division  
20 Nancy Howse  
21 Chief Financial Examiner  
22 Terry L Cooper  
23 Fraud Unit Chief  
24  
25

16 DEPARTMENT OF INSURANCE  
17 2910 North 44th Street, Suite 210  
18 Phoenix, AZ 85018

19 United States Life Insurance Company in the City of New York  
20 Phillip L. Chapman, Vice President  
21 3600 Route 66  
22 Neptune, NJ 07754-1850

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