STATE OF ARIZONA
FILED

AUG 2 1994

DEPARTMENT OF INSURANCE
By

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:

COLUMBIA GENERAL LIFE INSURANCE COMPANY

Respondent.

Docket No. 8497

CONSENT ORDER

A market conduct examination was made of Columbia General Life Insurance Company (hereinafter "Respondent") by Market Conduct Examiners for the Arizona Department of Insurance (hereinafter "the Department"). Said market conduct examination covered the time period of January 1, 1990, through December 31, 1992. Based upon the examination results, the Department is prepared to issue a Notice of Hearing alleging that Respondent has violated certain provisions of Title 20, Arizona Revised Statutes (hereinafter "A.R.S.") and the Arizona Administration Code (hereinafter "A.A.C.") as set forth below in the Findings of Fact and Conclusions of Law. Respondent wishes to resolve this matter without formal adjudicative proceedings and hereby agrees to a Consent Order.

The Director of Insurance of the State of Arizona (hereinafter "the Director") enters the following Findings of Fact and Conclusions of Law, which are neither admitted nor denied by Respondent, and issues the following Order:

FINDINGS OF FACT

1. Respondent is authorized to transact life and disability insurance in the State of Arizona pursuant to a Certificate of Authority issued by the Director.

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2. The Examiners were authorized by the Director to conduct a market conduct examination of Respondent and have prepared a report entitled Report of Examination of the Market Conduct Affairs of the Columbia General Life Insurance Company (hereinafter "the Report"). The period covered by the on-site examination was January 1, 1990, through December 31, 1992.

3. Respondent produced an advertising brochure #HPM-037 for use by Respondent's agent Health Program Management, Inc. for the purpose of selling Respondent's health insurance product known as Maricopa Foundation Business Alliance Health Plan. Said brochure #HPM-037 failed to list all policy exclusions as contained within the Maricopa Foundation Business Alliance Health Plan policy.

4. Of the accident and health claims paid by Respondent through its contracted third-party administrator Benefit Resources during the subject time period, the Examiner reviewed 47 claim files. As to the 47 paid claims reviewed, Respondent:

a. failed to acknowledge receipt of notification of claim within ten (10) working days in 15 (31.9 percent) claim files;

b. failed to notify the claimant of the acceptance or denial of the claim within 15 working days after receiving the proof of loss in seven (7) claim files (14.9 percent);

c. failed to adjudicate or pay within 30 calendar days after the receipt of final proofs of loss in three (6.4 percent) claim files; and

d. failed to pay interest on claims paid more than 30 days after the receipt of proof of loss from first-party claimants in two (2) claim files.

5. Of the four (4) life insurance claims received by Respondent during the subject time period, the Examiner reviewed four (4) or 100 percent of the claim files. As to the four (4) claims reviewed, Respondent:

a. failed to acknowledge receipt of notification of claim within ten (10) working days in one (25.0 percent) claim file;

b. failed to notify the claimant of the acceptance or denial of the claim within 15 working days after receiving the proof of loss in one (25.0 percent) claim file;

c. failed to adjudicate within 30 calendar days after the receipt of final proofs of loss in one (25.0 percent) claim file; and

d. failed to pay interest on claims paid more than 30 days after the receipt of proof of loss from first-party claimants in two (2) claim files.

6. The Examiner reviewed seven consumer complaints filed against Respondent with the Department. In three (42.9 percent) of the files, Respondent failed to respond to the Department's inquiry within 15 working days.

CONCLUSIONS OF LAW

1. The Director has jurisdiction in this matter.

2. The above-described failure to include all policy exclusions in a marketing brochure is deceptive and a

misrepresentation of policy terms within the meanings of A.R.S. §§ 20-442, 20-443(1), 20-444(A) and A.A.C. R4-14-201(C)(2)(a)(1) and A.A.C. R4-14-201(E).

3. The failure by Respondent to acknowledge receipt of notification of a claim within ten (10) working days of receipt of said notification unless the claim is paid within that time period, constitutes 16 violations of A.A.C. R4-14-801(E)(1).

4. The failure by Respondent to respond to the Department within 15 working days of receipt of a consumer complaint constitutes three (3) violations of A.A.C. R4-14-801(E)(2).

5. The above-described conduct by Respondent constitutes a general business practice of failure to acknowledge and act reasonably and promptly upon communication with respect to claims arising under an insurance policy within the meaning of A.R.S. § 20-461(A)(2).

6. The failure by Respondent to complete the adjudication of claims within 30 calendar days after notification of the claim constitutes four (4) violations of A.A.C. R4-14-801(F).

7. The above-described conduct by Respondent constitutes a general business practice of failure to investigate claims within a reasonable time period after receipt of the proof of loss within the meaning of A.R.S. § 20-461(A)(3).

8. The failure by Respondent to notify the claimant of acceptance or denial of the claim within 15 working days after receiving the proof of loss, constitutes eight (8) violations of A.A.C. R4-14-801(G)(1)(a).

9. The above-described conduct by Respondent constitutes a general business practice of failure to accept or deny first-party claims within 15 working days after receipt of a properly executed proof of loss within the meaning of A.R.S. § 20-461(A)(5).

10. The failure by Respondent to pay interest to a first-party claimant where the subject claim was not paid within 30 days after receipt of the proof of loss, constitutes four (4) violations of A.R.S. § 20-462(a).

ORDER

Respondent having admitted the jurisdiction of the Director to enter the Order set forth herein, having waived the Notice of Hearing and the Hearing, having waived any and all right to appeal this Order, and having consented to the entry of the Order set forth hereinafter, and there being no just reason for delay:

IT IS HEREBY ORDERED THAT:

1. Respondent shall cease and desist from failing to acknowledge receipt of notification of a claim within ten (10) working days of receipt of said notification unless the claim is paid within that time; from failing to complete the investigation of claims within 30 calendar days after notification of the claim; from failing to notify the claimant of acceptance or denial of the claim within 15 working days after receiving the proof of loss; from failing to respond to the Department's inquiries regarding consumer complaints within 15 working days; and from failing to pay interest to a first-party claimant where

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the subject claim was not paid within 30 days after receipt of the proof of loss.

2. Respondent shall develop a written action plan acceptable to the Department to monitor and ensure prompt responses to the Department's inquiries regarding consumer complaints and for the strict compliance with the claims-processing requirements as set forth in A.R.S. §§ 20-461 and 20-462, and A.A.C. R4-14-801.

3. Respondent shall pay to the claimants of accident and health claims #92001224-02 and #92031838-01 and life insurance claims #CG 176-89 and #CG 164-90 interest on the amounts of the claims unpaid on the 30th day after Respondent's receipt of proofs of loss containing all information necessary for claims adjudication. Interest shall be paid at the rate of ten percent (10%) per annum calculated from the date the claim was received by the insured to the date the claim was paid. These payments shall be accompanied by a letter to the insured acceptable to the Director. A list of payments, giving the name and address of each party to whom they were made, the base amount, the amount of the interest paid or credited, and the date of the payment shall be provided to the Department within sixty (60) days of the filed date of this Order.

4. The Department shall be permitted, through an authorized representative, to verify that Respondent has complied with all provisions of this Order, and the Director may separately order Respondent to comply.

5. Respondent shall pay a civil penalty of FOUR THOUSAND DOLLARS ($4,000) to the Director for remission to the

State Treasurer for deposit to the State General Fund in accordance with A.R.S. § 20-220(B). Said civil penalty shall be provided to the Hearing Division of the Department on or before July 26, 1994.

6. The Report of Market Conduct Examination as of December 31, 1992, to include Respondent's January 25, 1994, response to the Report, shall be filed with the Department as of the effective date of this Order.

DATED at Phoenix, Arizona, this 2nd day of August, 1994.

Chris Herstam

CHRIS HERSTAM
Director of Insurance

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CONSENT TO ORDER

1. Respondent, COLUMBIA GENERAL LIFE INSURANCE COMPANY, has reviewed the foregoing Order.

2. Respondent is aware of its right to a hearing in this matter at which hearing Respondent may be represented by counsel, present evidence and cross-examine witnesses. Respondent has irrevocably waived its right to such public hearing and to any court appeals relating thereto.

3. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and consents to the entry of this Order.

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

5. Respondent acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely for the purpose of settling this litigation against it and does not preclude any other agency or officer of this State, or any subdivision thereof, from instituting other civil or criminal proceedings as may be appropriate now or in the future.

6. RICHARD E. LINDSTROM represents that as the PRESIDENT AND CEO of Respondent, COLUMBIA PACIFICARE LIFE AND HEALTH INSURANCE COMPANY GENERAL LIFE INSURANCE COMPANY, that he/she has been authorized by Respondent to enter into this Order for and on its behalf.

COLUMBIA GENERAL LIFE INSURANCE COMPANY/
PACIFICARE LIFE AND HEALTH INSURANCE CO.

July 18, 1994
Date

President & CEO.
Signature (Name & Title)

COPY of the foregoing mailed/delivered

this 2nd day of August , 1994, to:

Gay Ann Williams
Deputy Director
Gregory Y. Harris
Administrative Law Judge
Saul R. Saulson
Supervisor
Examinations Section
Bernie Hill
Supervisor
Life and Disability Section
Deloris E. Williamson
Assistant Director
Rates & Regulations Division
Ron Watkins
Assistant Director
Consumer Services and Investigations
Gary Torticill
Assistant Director and Chief Financial Examiner
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Chris Crawford