

SEP 21 1994

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
By 

In the Matter of: ) Docket No. 8554  
COMBINED UNDERWRITERS LIFE INSURANCE COMPANY ) CONSENT ORDER  
Respondent. )

A market conduct examination was made of Combined Underwriters Life Insurance Company, hereinafter referred to as "Respondent", by a Market Conduct Examiner for the Arizona Department of Insurance ("ADOI") covering the time period from January 1, 1990 to December 31, 1992. Based upon the examination results, it is alleged that Respondent has violated the provisions of Arizona Revised Statutes, Title 20, Sections 20-461, 20-462, and Arizona Administrative Code Rule ("A.A.C. R") 4-14-801. 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 ("the Director") enters the following Findings of Fact, and Conclusions of Law, which are neither admitted nor denied by Respondent, and the following Order:

FINDINGS OF FACT

1. Respondent is authorized to transact life and disability insurance as an insurer pursuant to a Certificate of Authority issued by the Director.

2. The Examiner was authorized by the Director to conduct a market conduct examination of Respondent and has prepared the

1 Report of Examination of the Market Conduct Affairs of  
2 Respondent ("the Report"). The period covered by the on-site  
3 examination was concluded as of December 31, 1992.

4 3. The Examiner reviewed five (5) Arizona Department of  
5 Insurance complaints which occurred during the time frame of the  
6 Examination. Of these Respondent failed to inform the claimants  
7 of two (2) claims, #AZCG2-3062018 and #AZCG2-3062387, within  
8 fifteen (15) days of the receipt of acceptable proofs of loss  
9 that more time was needed to accept or deny the claim and to  
10 give the reasons why more time is needed.

11 4. The Examiner reviewed eighty-eight accident and health  
12 paid claims out of a population of 794. As to these:

13 a. Respondent failed to acknowledge notification of  
14 thirty-five (35) claims within ten (10) working days of receipt  
15 unless payment is made within such time.

16 b. Respondent failed to accept or deny forty-five  
17 (45) claims within fifteen (15) working days after receipt of  
18 properly executed proofs of loss.

19 c. Respondent failed to pay twenty-eight (28) claims  
20 within thirty (30) days after the receipt of proofs of loss  
21 which contained all information necessary for claim  
22 adjudication, and failed to pay interest thereon.

23 5. The Examiner reviewed forty (40) accident and health  
24 denied claims out of a population of 436. As to these:

25 a. Respondent failed to acknowledge notification of  
26 nine (9) claims within ten (10) working days of receipt unless  
27 payment is made within such time.

28 . . . . .

1           b. Respondent failed to accept or deny seven (7)  
2 claims within fifteen (15) working days after receipt of  
3 properly executed proofs of loss.

4   CONCLUSIONS OF LAW

5           1. By failing to advise claimants that more time was was  
6 needed to accept or deny claims and failing to give the reasons  
7 therefor, Respondent violated A.A.C. R4-14-14-801(G)(1)(b) and  
8 A.R.S. § 20-461(A)(5).

9           2. By failing to acknowledge receipt of notification of  
10 claims within ten (10) working days of receipt unless payment is  
11 made within that time, Respondent violated A.A.C.  
12 R4-14-801(E)(1) and A.R.S. § 20-461(A)(2).

13           3. By failing to advise claimants of the acceptance or  
14 denial of their claims within fifteen (15) working days after  
15 receiving receipt of properly executed proofs of loss,  
16 Respondent violated A.A.C. R4-14-801(G)(1)(a) and A.R.S. §  
17 20-461(A)(5).

18           4. By failing to pay claims within thirty (30) days after  
19 the receipt of proofs of loss which contained all information  
20 necessary for claim adjudication, and failing to pay interest on  
21 the amount due, Respondent violated A.R.S. § 20-462(A).

22           5. Grounds exist for the Director to revoke or suspend  
23 Respondent's Certificate of Authority.

24           6. Grounds exist for the entry of all other provisions of  
25 the following order.

26   ORDER

27           Respondent having admitted the jurisdiction of the Director  
28 to enter the Order set forth herein, having waived the Notice of

1 Hearing and the hearing, having waived any and all rights to  
2 appeal this Order, and having consented to the entry of the  
3 Order set forth hereinafter, and there being no just reason for  
4 delay:

5 IT IS HEREBY ORDERED THAT:

6 1. Respondent shall cease and desist from failing to  
7 acknowledge receipt of a notification of claim within ten (10)  
8 working days of receipt; from failing to notify insureds of the  
9 acceptance or denial of claims within fifteen (15) working days  
10 of receipt of properly executed proofs of loss; failing to  
11 either pay claims within thirty (30) days after receipt of a  
12 proof of loss which contains all information necessary for claim  
13 adjudication, or pay interest on the claims from the date the  
14 claim was received by Respondent and from failing to inform  
15 claimants that more time is needed to accept or deny claims and  
16 to give the reasons therefore.

17 2. Respondent shall develop a written action plan to  
18 monitor and ensure that its personnel process claims in  
19 accordance with A.R.S. §§ 20-461(A)(2) and (A)(5), 20-462(A),  
20 and A.A.C. R4-14-801(E)(1) and (G)(1)(a) and (b). Respondent  
21 shall submit a copy of this action plan to the ADOI for approval  
22 within thirty (30) days of the filed date of this Order.

23 3. Respondent has paid to some but not all of the  
24 twenty-eight (28) claimants of the policies listed on page 10 of  
25 the Report, interest on the amounts of the claims unpaid on the  
26 30th day after Respondent's receipt of proofs of loss containing  
27 all information necessary for claims adjudication. Interest  
28 shall be paid at the rate of ten percent (10%) per annum

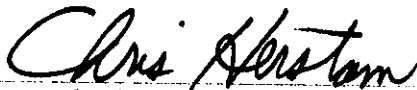
1 calculated from the date the claim was received by Respondent to  
2 the date the claim was paid. These payments shall be  
3 accompanied by a letter to the insured acceptable to the  
4 Director. A list of payments, giving the name and address of  
5 each party to whom they were made, the policy and claim numbers,  
6 the base amount, the amount of interest paid or credited, and  
7 the date of payment shall be provided to the ADOI within sixty  
8 (60) days of the filed date of this Order.

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

13 5. Respondent shall pay a civil penalty of NINE THOUSAND  
14 DOLLARS (\$9,000.00) to the Director for remission to the State  
15 Treasurer for deposit in the State General Fund in accordance  
16 with A.R.S. § 20-220(B). Said \$9,000.00 shall be provided to  
17 the Administrative Law Division of the ADOI on or before  
18 September 16, 1994.

19 6. The Report of Market Conduct Examination as of  
20 December 31, 1992 to include the objections to the Report by  
21 Respondent, shall be filed with the ADOI.

22  
23 DATED at Phoenix, Arizona this 21st day of September, 1994.

24  
25   
26 Chris Herstam  
27 Director of Insurance  
28

1  
2 CONSENT TO ORDER

3 1. Respondent, Combined Underwriters Life Insurance Company, has  
4 reviewed the foregoing Order.

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

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

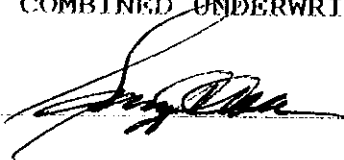
13 4. Respondent states that no promise of any kind or nature  
14 whatsoever was made to induce it to enter into this Order and  
15 that it has entered into this Order voluntarily.

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

22 6. GARY C. COLE represents that as PRESIDENT of  
23 Combined Underwriters Life Insurance Company, he has been  
24 authorized by it to enter into this Order for and on its behalf.

25 COMBINED UNDERWRITERS LIFE INSURANCE COMPANY

26 9-13-94  
27 (Date)



1 COPY of the foregoing mailed/delivered  
2 this 21st day of September , 1994, to:

3 Gay Ann Williams  
4 Deputy Director

5 Gregory Y. Harris  
6 Chief Administrative Law Judge

7 Erin Klüg  
8 Manager  
9 Market Conduct Examinations Division

10 Saul Saulson  
11 Supervisor  
12 Examinations Section

13 Shirley Polzin  
14 Supervisor  
15 Life and Disability Section

16 Deloris E. Williamson  
17 Assistant Director  
18 Rates & Regulations Division

19 Gary Torticill  
20 Assistant Director and Chief Financial Examiner  
21 Corporate & Financial Affairs Division

22 Ron Watkins  
23 Assistant Director  
24 Consumer Services and Investigations

25 Mary Butterfield (L&D Orders only)  
26 Manager  
27 Health Policy Division

28 DEPARTMENT OF INSURANCE  
29 2910 North 44th Street, Suite 210  
30 Phoenix, AZ 85018

31 Gary C. Cole, President  
32 Combined Underwriters Life Insurance Company  
33 P.O. Box 2503  
34 Tyler, Texas 75710

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