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## 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.

2. The Examiner was authorized by the Director to conduct a market conduct examination of Respondent and has prepared a report entitled Report of Examination of the Market Conduct Affairs of The Credit Life Insurance Company (hereinafter "the Report"). The period covered by the on-site examination was January 1, 1989, through July 31, 1992.

3. During the time period covered by the Report, Respondent marketed its products in Arizona through an intermediary called Ryan Financial Services, Inc. At no material time did Ryan Financial Services, Inc., hold a valid agent's license in the State of Arizona.

4. During the course of the examination conducted by the Department's Examiner, Respondent failed to locate and produce: One rescission file #310469011B requested by the Examiner; 10 of the 31 credit insurance application files requested by the Examiner; three of the 17 mortgage insurance application files requested by the Examiner; and one of eight declined application files requested by the Examiner.

5. On five of the 21 credit life contracts reviewed by the Examiner, Respondent had understated the amount of coverage on both the application and the certificate of insurance.

6. Respondent's credit life application form No. A570 used during the time period covered by the Report failed to

1 provide a notice of insurance information practices related to  
2 personal information obtained in the application process.

3 7. Respondent's mortgage insurance application forms  
4 No. Q665, Q142 and Q159 used during the time period covered by  
5 the Report failed to provide a notice of insurance information  
6 practices related to personal information obtained in the  
7 application process.

8 8. During the time period covered by the Report,  
9 Respondent failed to implement and maintain a program to review  
10 creditors with which it does business to ensure their compliance  
11 with relevant insurance laws.

12 9. Respondent's decreasing term mortgage insurance  
13 application forms. No. Q142 and Q159 used during the time period  
14 covered by the Report failed to include questions regarding  
15 replacement of coverage of the proposed insured and/or the agent.

16 10. During the time period covered by the Report,  
17 Respondent failed to implement and maintain a replacement  
18 register.

19 11. Of the 458 Arizona claims paid by Respondent  
20 during the subject time period, the Examiner reviewed 61 (13.3%)  
21 of the claim files. As to the 61 paid claims reviewed,  
22 Respondent:

- 23 a. failed to acknowledge receipt of notification of  
24 claim within ten (10) working days in two claim files;  
25 b. failed to notify the claimant of the acceptance  
26 or denial of the claim within 15 working days after  
27 receiving the proof of loss in one claim file;

28 . . . . .

1 c. failed to notify the claimant of the need for  
2 additional investigation of the claim within 15  
3 working days after receiving the proof of loss in one  
4 claim file.

5 12. Of the six Arizona claims denied by Respondent  
6 during the subject time period, the Examiner reviewed six (100%)  
7 of the claim files. As to the six denied claims reviewed,  
8 Respondent:

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

12 b. failed to notify the claimant of the acceptance  
13 or denial of the claim within 15 working days after  
14 receiving the proof of loss in one claim file.

15 13. Respondent failed to acknowledge receipt of the  
16 claim and/or other pertinent communications from the claimant  
17 within ten working days in three, or 4.5%, of the 67 paid and  
18 denied claims reviewed by the Examiner.

19 14. Respondent failed to accept or deny first-party  
20 claims within 15 working days after receipt of properly executed  
21 proofs of loss in two, or 3%, of the 67 paid and denied claims  
22 reviewed by the Examiner.

### 23 CONCLUSIONS OF LAW

24 1. The Director has jurisdiction in this matter.

25 2. The misstatement of the correct amount of  
26 coverage on applications and certificates of credit life  
27 insurance constitutes the failure of Respondent to set forth on  
28 each individual policy or group certificate of credit life

1 insurance or credit disability insurance a description of the  
2 amount, term and coverage as required by A.R.S. Section  
3 20-1608(C).

4 3. The omission by Respondent of a notice of  
5 insurance information practices from insurance application forms  
6 constitutes a violation of A.R.S. Section 20-2104.

7 4. The failure of Respondent to implement and  
8 maintain a program to periodically review creditors with which  
9 it transacts business to ensure compliance with Arizona  
10 insurance laws constitutes a violation of A.A.C. R4-14-604(I)(1).

11 5. The omission by Respondent of questions regarding  
12 the replacement of coverage to the proposed insured and/or the  
13 agent from its decreasing term mortgage insurance applications  
14 constitutes a violation of A.A.C. R4-14-215(F)(2)(a) and (b).

15 6. The failure of Respondent to implement and  
16 maintain a replacement register constitutes a violation of  
17 A.A.C. R4-14-215(F)(3)(f).

18 7. The failure by Respondent to acknowledge receipt  
19 of notification of a claim within 10 working days of receipt of  
20 said notification unless the claim is paid within that time  
21 period constitutes three violations of A.A.C. R4-14-801(E)(1).

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

26 9. The failure by Respondent to notify the claimant  
27 of the need for additional investigation of the claim within 15  
28 . . . . .

1 working days after receiving the proof of loss constitutes one  
2 violation of A.A.C. R4-14-801(G)(1)(b).

3 10. Grounds exist for the entry of all other  
4 provisions of the following Order.

5 ORDER

6 Respondent having admitted the jurisdiction of the  
7 Director to enter the order set forth herein, having waived the  
8 Notice of Hearing and the hearing, having waived any and all  
9 rights to appeal this Order, and having consented to the entry  
10 of the Order set forth hereinafter, and there being no just  
11 reason for delay:

12 **IT IS HEREBY ORDERED THAT:**

13 1. Respondent shall cease and desist from failing to  
14 set forth a description of the amount, term and coverage on each  
15 individual policy or group certificate of credit life insurance  
16 or credit disability insurance; from using any insurance  
17 application forms in this State which omit a notice of insurance  
18 information practices; from failing to implement and maintain a  
19 program to periodically review the creditors with which it does  
20 business to ensure compliance with relevant insurance laws; from  
21 using decreasing term mortgage insurance applications which omit  
22 questions regarding replacement of coverage to both the proposed  
23 insured and the agent; from failing to acknowledge receipt of  
24 notification of a claim within 10 working days of receipt of  
25 said notification unless the claim is paid within that time;  
26 from failing to notify the claimant of acceptance or denial of  
27 the claim within 15 working days after receiving the proof of  
28 loss; and from failing to notify the claimant of the need for

1 additional investigation of the claim within 15 working days  
2 after receiving the proof of loss.

3           2. Respondent shall develop and send to the ADOI  
4 within sixty (60) days of the filed date of this Order a written  
5 action plan for its financial institution business acceptable to  
6 the Department to monitor and ensure strict compliance with  
7 A.R.S. Section 20-1608(C), A.A.C. R4-14-215(F)(3)(f), A.A.C.  
8 R4-14-604(I)(1), and with the claims processing requirements of  
9 A.R.S. Sections 20-461 and 20-462, and A.A.C. R4-14-801.

10           3. Respondent shall submit to the ADOI within sixty  
11 (60) days of the filed date of this Order for the Department's  
12 approval all application forms currently in use by Respondent  
13 for its block of financial instituton business in the State of  
14 Arizona for compliance with A.A.C. R4-14-215(E)(1)(a) and (b),  
15 A.A.C. R4-14-215(F)(2)(a) and (b) and A.R.S. Section 20-2104(B)  
16 and (C).

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

21           5. Respondent shall pay a civil penalty of THREE  
22 THOUSAND DOLLARS (\$3,000) to the Director for remission to the  
23 State Treasurer for deposit to the State General Fund in  
24 accordance with A.R.S. Section 20-220(B). Said civil penalty  
25 shall be provided to the Administrative Law Division of the  
26 Department on or before October 10, 1994.

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6. The Report of Market Conduct Examination as of July 31, 1992, to include Respondent's March 2, 1994, and March 16, 1994, responses to the Report, shall be filed with the Department as of the effective date of this Order.

DATED at Phoenix, Arizona, this 20th day of October, 1994

  
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CHRIS HERSTAM  
DIRECTOR OF INSURANCE

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CONSENT TO ORDER

1. Respondent, THE CREDIT LIFE INSURANCE COMPANY nka UNION FIDELITY 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. M. Nasim Ali represents that as the Senior Vice President of Respondent that he/she has been authorized by Respondent to enter into this Order for and on its behalf.

THE CREDIT LIFE INSURANCE COMPANY  
nka UNION FIDELITY INSURANCE COMPANY

October 6, 1994  
Date

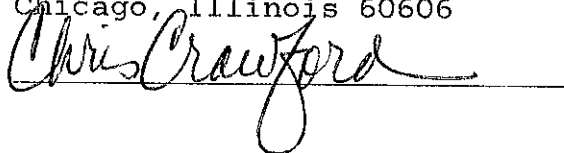
M. Nasim Ali  
Name/Title M. Nasim Ali  
Senior Vice President

1 COPY of the foregoing mailed/delivered  
2 this 20th day of October , 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 Maureen Catalioto (Orders referencing agents only)  
20 Supervisor  
21 Licensing Section  
22 Gary Torticill  
23 Assistant Director and Chief Financial Examiner  
24 Corporate & Financial Affairs Division  
25 Kathy O'Neil  
26 Assistant Director  
27 Consumer Services and Investigations  
28 Mary Butterfield (L&D Orders only)  
Manager  
Health Policy Division

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

19 Joseph D. Fagen, Esq.  
20 Union Fidelity Life Insurance Co.  
21 123 N. Wacker Drive  
22 Chicago, Illinois 60606

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