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STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY EB

In the Matter of:)	Docket No. 00A-004-INS
)	
UNITED DENTAL CARE OF ARIZONA, INC.,)	CONSENT ORDER
NAIC #47708;)	
)	
Respondent.)	
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Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of United Dental Care of Arizona, Inc. ("UDC of AZ"). The Report of the Examination of the Market Conduct Affairs of UDC of AZ, dated June 12, 1998 alleges that UDC of AZ has violated A.R.S. §§ 20-157, 20-297, 20-444, 20-461, 20-462, 20-1007, 20-2106, A.A.C. R20-6-201 and R20-6-801.

UDC of AZ wishes to resolve this matter without formal proceedings, admit 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. UDC of AZ is an authorized pre-paid dental plan 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 UDC of AZ. The on-site examination covered the time period from September 1, 1995 through December 31, 1997, and was concluded on June 12, 1998. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of United Dental Care of Arizona, Inc." dated June 12, 1998.
3. The Examiners reviewed UDC of AZ's advertising materials and forms, and found unfiled and unapproved advertising materials on its Internet website.

1 4. The Examiners reviewed UDC of AZ's group and individual policy forms
2 used by the Company during the time frame of the examination and found that 18 of the
3 forms had not been approved by the Department.

4 5. UDC of AZ sent its members a letter in lieu of a membership coverage form
5 that inadequately described the outline of coverages.

6 6. UDC of AZ failed to file with the Department by January 30 of each year, a
7 list of its active agents in Arizona for the years 1996 and 1997.

8 7. The Examiners reviewed 45 consumer complaints from an unknown
9 population received by UDC of AZ during the time frame of the examination and found
10 as follows:

11 a. 19 of the files contained *Authorization for the Release of Information*
12 *and Records* form that did not contain the correct name of the company to receive the
13 information, the complete purpose for which the information was to be used, the length
14 of time the authorization was valid, and the fact that the individual is entitled to receive a
15 copy of the authorization.

16 b. Six of the files contained *Authorization for the Release of Information*
17 *and Records* form that did not contain the complete purpose for which the information
18 was to be used, the length of time the authorization was valid, and the fact that the
19 individual is entitled to receive a copy of the authorization.

20 8. The Examiners requested a sample of 50 individual issue files and found as
21 follows:

22 a. UDC of AZ was not able to provide the Examiners with 26 files.

23 b. 21 of the 24 files reviewed, contained an application for an unapproved
24 plan.

25 9. The Examiners requested a sample of 50 group issue files and found as

1 follows:

2 a. UDC of AZ was not able to provide the Examiners with 20 files.

3 b. Two of the 30 files reviewed, contained an application for an
4 unapproved plan.

5 10. The Examiners reviewed 50 of 1096 contracted claims paid during the time
6 frame of the Examination and found as follows:

7 a. UDC of AZ failed to send an acknowledgement within ten working days
8 to 20 claimants.

9 b. UDC of AZ failed to notify 7 first party claimants of the acceptance or
10 denial of the claim within 15 working days.

11 c. UDC of AZ failed to advise 7 first party claimants of the reasons why
12 more time was needed to determine if the claim would be accepted or denied, within 15
13 working days after receipt of an acceptable proof of loss.

14 d. UDC of AZ failed to pay interest on two claims not paid with 30 days
15 after receipt of an acceptable proof of loss.

16 e. UDC of AZ failed to provide the examiners with six of the requested
17 files.

18 11. The Examiners reviewed 54 of 4167 non-contracted claims paid during the
19 time frame of the examination and found as follows:

20 a. UDC of AZ failed to send an acknowledgement within ten working days
21 to 16 claimants.

22 b. UDC of AZ failed to notify 4 first party claimants of the acceptance or
23 denial of the claim within 15 working days.

24 c. UDC of AZ failed to advise 4 first party claimants of the reasons why
25 more time was needed to determine if the claim would be accepted or denied, within 15

1 working days after receipt of an acceptable proof of loss.

2 d. UDC of AZ failed to advise 3 first party claimants of the reasons why
3 more time was needed to determine if the claim would be accepted or denied, within 15
4 working days after receipt of an acceptable proof of loss.

5 e. UDC of AZ failed to pay interest on three claims not paid with 30 days
6 after receipt of an acceptable proof of loss.

7 f. UDC of AZ failed to provide the examiners with nine of the requested
8 files.

9 12. The Examiners reviewed 50 of 534 contracted claims denied during the time
10 frame of the examination and found as follows:

11 a. UDC of AZ failed to send an acknowledgement within ten working days
12 to 14 claimants.

13 b. UDC of AZ failed to notify 5 first party claimants of the acceptance or
14 denial of the claim within 15 working days.

15 c. UDC of AZ failed to advise 5 first party claimants of the reasons why
16 more time was needed to determine if the claim would be accepted or denied, within 15
17 working days after receipt of an acceptable proof of loss.

18 d. UDC of AZ failed to include a message on the Explanation of Benefits
19 (EOB) form advising the claimants of the reason for the denial of the claim to seven
20 claimants.

21 e. UDC of AZ failed to provide the examiners with nine of the requested
22 files.

23 13. The Examiners reviewed 50 of 611 non-contracted claims denied during the
24 time frame of the examination and found as follows:

25 a. UDC of AZ failed to send an acknowledgement within ten working days

1 to 14 claimants.

2 b. UDC of AZ failed to notify 6 first party claimants of the acceptance or
3 denial of the claim within 15 working days.

4 c. UDC of AZ failed to advise 6 first party claimants of the reasons why
5 more time was needed to determine if the claim would be accepted or denied, within 15
6 working days after receipt of an acceptable proof of loss.

7 d. UDC of AZ failed to include a message on the Explanation of Benefits
8 (EOB) form advising the claimants of the reason for the denial of the claim to forty
9 claimants.

10 e. UDC of AZ failed to provide the examiners with nine of the requested
11 files.

12 14. The Examiners review of the UDC of AZ dental copayments discovered that
13 seven plans of coverage issued by the Company in Arizona had not been approved by
14 the Department.

15 **CONCLUSIONS OF LAW**

16 1. UDC of AZ violated A.R.S. § 20-157(A) by failing to provide the Examiners
17 with all the files that were requested during the examination.

18 2. UDC of AZ violated A.R.S. § 20-297 by failing to file its list of agents in 1996
19 and 1997.

20 3. UDC of AZ violated A.R.S. §§ 20-444(A), 20-1018, A.A.C. R20-6-201(B),
21 (C)(1), (2), (3)(a), and (G) by using advertising materials on its Internet website that
22 were not approved or filed.

23 4. UDC of AZ violated A.R.S. § 20-461(A)(2) and A.A.C. R20-6-801(E)(1) by
24 failing to acknowledging the receipt of a claim within ten working days of notification of
25 the claim.

1 5. UDC of AZ violated A.R.S. § 20-461(A)(3) and A.A.C. R20-6-801(F) by
2 failing to complete the investigation of a claim within 30 days after notification of the
3 claim.

4 6. UDC of AZ violated A.R.S. § 20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a) by
5 failing to notify the first party claimant of the acceptance or denial of the claim within 15
6 working days after receipt of an acceptable proof of loss.

7 7. UDC of AZ violated A.R.S. § 20-461(A)(3) and A.A.C. R20-6-801(G)(1)(b) by
8 failing to advise claimants within 15 working days after receipt of an acceptable proof of
9 loss, of the reasons why more time was needed to determine if the claim would be
10 accepted or denied.

11 8. UDC of AZ violated A.R.S. § 20-461(A)(14) and A.A.C. R20-6-801(G)(1)(a)
12 by failing to include a message on the Explanation of Benefits (EOB) form advising the
13 claimant of the reason for the denial of the claim.

14 9. UDC of AZ violated A.R.S. § 20-462(A) by failing to pay interest at the rate of
15 ten per cent per annum from the date the claim was received by the Company, on all
16 claims not paid within 30 days of receipt of an acceptable proof of loss.

17 10. UDC of AZ violated A.R.S. § 20-1007(C) by accepting an application for an
18 unfiled and unapproved policy form.

19 11. UDC of AZ violated A.R.S. § 20-1007(D) by sending its members a letter in
20 lieu of an explanation of benefits form that did not include all the required information.

21 12. UDC of AZ violated A.R.S. § 20-2106(5), (6), (8)(a), and (9) by failing to
22 provide the applicant with an *Authorization for Release of Information* form that
23 contained all of the required information.

24 13. Grounds exist for the entry of the following Order, in accordance with A.R.S.
25 §§ 20-220, 20-456, and 20-1008.

1 ORDER

2 **IT IS ORDERED THAT:**

3 1. United Dental Care of Arizona, Inc. shall cease and desist from committing
4 the following practices:

5 a. Failing to produce or make freely accessible to the Director or his
6 Examiners documents, records, files, etc., which relate to the subject of the
7 examination.

8 b. Failing to file its list of agents in a timely manner.

9 c. Using advertising materials that are not approved nor filed.

10 d. Failing to acknowledge the receipt of a claim within ten working days.

11 e. Failing to complete claims investigations within 30 days of notification
12 of claim.

13 f. Failing to accept or deny claims within 15 days after receipt of proof of
14 loss.

15 g. Failing to advise claimants within 15 working days after receipt of an
16 acceptable proof of loss, of the reasons why more time was needed to determine if the
17 claim would be accepted or denied.

18 h. Failing to include a message on the Explanation of Benefits (EOB)
19 form that advises the claimant of the reason for the denial of the claim.

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

22 j. Accepting an application for an unfiled or unapproved policy form.

23 k. Failing to provide an applicant with an *Authorization for Release of*
24 *Information* form that contains all the required information.

25 2. Within 90 days of the filed date of this Order, UDC of AZ shall submit to the

1 Arizona Department of Insurance, for approval, that the following corrective actions
2 have been implemented and communicated to the appropriate personnel. Evidence of
3 corrective action and communication thereof includes but is not limited to memos,
4 bulletins, E-mails, correspondence, procedures manuals, print screens and training
5 materials.

6 a. Institute a records retention program that is adequate to allow the
7 Company to produce requested files and records to Department examiners.

8 b. Institute or modify procedures to ensure compliance with the
9 requirements of A.R.S. § 20-297 regarding the filing of the agent list by January 30 of
10 the current year.

11 c. Institute or modify procedures to ensure compliance with the
12 requirements of A.A.C. R20-6-801(E)(1) regarding the failure to acknowledge and act
13 promptly upon notification of a claim.

14 d. Institute of modify procedures to ensure compliance with the
15 requirements of A.A.C. R20-6-801(F) regarding the failure to complete claims
16 investigations within 30 days of notification of the claim.

17 e. Institute or modify procedures to ensure compliance with the
18 requirements of A.A.C. R20-6-801(G)(1)(a) regarding the failure to accept or deny
19 claims within 15 days after receipt of proof of loss and the failure to include a message
20 on the Explanation of Benefits (EOB) form that advises the claimant the reason for
21 denying the claim.

22 f. Institute or modify procedures to ensure compliance with the
23 requirements of A.A.C. R20-6-801(G)(1)(b) regarding the failure to advise claimants
24 within 15 working days after receipt of an acceptable proof of loss, of the reasons why
25 more time is needed to determine if the claim would be accepted or denied.

1 g. Institute or modify procedures to ensure compliance with the
2 requirements of A.R.S. § 20-462(A) regarding the payment of interest on claims not paid
3 within 30 days after the receipt of acceptable proof of loss which contained all
4 information necessary for claim adjudication.

5 h. Institute or modify procedures to ensure compliance with the
6 requirements of A.R.S. §§ 20-444(A), 20-1018, A.A.C. R20-6-201(B), (C)(1), (2), (3)(a),
7 and (G) regarding the requirement that all advertising materials be filed and approved
8 prior to use.

9 i. Institute or modify procedures to ensure compliance with the
10 requirements of A.R.S. § 20-1007(C) regarding accepting an application for an unfiled
11 and/or unapproved policy form.

12 j. Institute or modify procedures to ensure compliance with the
13 requirements of A.R.S. § 20-1007(D) regarding sending a letter to members in lieu of
14 an explanation of benefits form that does not disclose all required information.

15 k. Institute or modify procedures to ensure compliance with the
16 requirements of A.R.S. § 20-2106(5), (6), (8)(a), and (9) regarding providing an
17 applicant with an Authorization for the Release of Information form that contains all the
18 required information.

19 3. The Department shall be permitted, through authorized representatives, to
20 verify that UDC of AZ has complied with all provisions of this Order.

21 4. UDC of AZ shall pay a civil penalty of \$31,000.00 to the Director for deposit
22 in the State General Fund in accordance with A.R.S. § 20-220(B). The civil penalty
23 shall be provided to the Market Conduct Examinations Division of the Department prior
24 to the filing of this Order.

25 5. The Report of Examination of the Market Conduct Affairs of UDC of AZ as

1 of June 12, 1998, including the letter submitted in response to the Report of
2 Examination, shall be filed with the Department after the Director has filed this Order.

3 DATED at Phoenix, Arizona this 6th day of January, 2000.

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5 _____

6 Charles R. Cohen
7 Director of Insurance

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CONSENT TO ORDER

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2 1. United Dental Care of Arizona, Inc. has reviewed the foregoing Order.

3 2. United Dental Care of Arizona, Inc. admits the jurisdiction of the Director of
4 Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the
5 entry of the Conclusions of Law and Order.

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

10 4. United Dental Care of Arizona, Inc. states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that it
12 has entered into this Consent Order voluntarily.

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

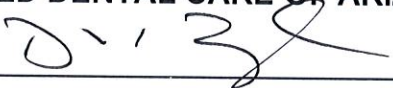
18 6. DANNY L. BENTLEY, who holds the office of CEO of United
19 Dental Care of Arizona, Inc. is authorized to enter into this Order for it and on its behalf.

20 **UNITED DENTAL CARE OF ARIZONA, INC.**

21 12/29/99

22 Date

23 By:

24 

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

2 **this** 6th **day of** January, 2000, **to:**

3
4 Sarah Begley
5 Deputy Director
6 Erin H. Klug
7 Chief Market Conduct Examiner
8 Mary Butterfield
9 Assistant Director
10 Life & Health Division
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Gary Torticill
15 Assistant Director and Chief Financial Examiner
16 Corporate & Financial Affairs Division
17 John Gagne
18 Assistant Director
19 Investigations and
20 Consumer Services Division
21 Terry L. Cooper
22 Fraud Unit Chief
23

24
25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Mr. Timothy H. Bolden, Second Vice President
Compliance and Governmental Affairs
Protective Life Insurance Company
P.O. Box 2606
Birmingham, AL 35202