

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

MAY 31 1994

DEPARTMENT OF INSURANCE  
By     *CA*    

In the Matter of:	)	Docket No. 8443
CERTIFIED LIFE INSURANCE COMPANY	)	CONSENT ORDER
Respondent.	)	
_____	)	

A market conduct examination was made of Certified Life Insurance Company, hereinafter referred to as "Certified", by a Market Conduct Examiner for the Arizona Department of Insurance ("ADOI") covering the time period from January 1, 1988 to December 31, 1990. Based upon the examination results, it is alleged that Certified has violated the provisions of Arizona Revised Statutes, Title 20, Sections 20-461 and 20-462; and Arizona Administrative Code Rule ("A.A.C. R") 4-14-801. Certified 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 Certified, and the following Order:

FINDINGS OF FACT

1. Certified 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 Certified and has prepared the

.....

1 Report of Examination of the Market Conduct Affairs of Certified  
2 ("the Report"). The period covered by the on-site examination  
3 was concluded as of December 31, 1990.

4 3. The Examiner reviewed the eight (8) complaints made to  
5 the ADOI concerning Certified during the time frame of the  
6 examination. Concerning these, Certified failed to:

7 a. pay one (1) claim within thirty (30) days after  
8 receipt of acceptable proofs of loss which contained all  
9 information necessary for claim adjudication, and failed to pay  
10 interest on the amount of the claim.

11 b. respond to four (4) complaints concerning claims  
12 within fifteen (15) working days of receipt.

13 4. The Examiner reviewed 97 of the 983 Arizona accident  
14 and health claims paid by Certified during the period covered by  
15 the Examination. As to these, Certified failed to:

16 a. acknowledge the receipt of eighty-eight (88)  
17 claims within ten (10) working days.

18 b. accept or deny sixty-two (62) claims within  
19 fifteen (15) working days after the receipt of properly executed  
20 proofs of loss.

21 c. pay thirty (30) claims within thirty (30) days  
22 after receipt of acceptable proofs of loss which contained all  
23 information necessary for claim adjudication, and failed to pay  
24 interest on the amounts due.

25 d. complete investigation of thirty-six (36) claims  
26 within thirty (30) days after notification of the claims, and  
27 did not provide information in claim files showing that the

28 . . . . .

1 investigations could not reasonably be completed within such  
2 time.

3 e. notify thirty-four (34) claimants that more than  
4 fifteen (15) working days would be needed to determine whether  
5 the claim would be accepted or denied.

6 f. pay two (2) claims in the exact amounts due  
7 according to policy terms. One (1) claim was underpaid by  
8 \$126.56 and one (1) claim was overpaid by \$29.92

9 5. The Examiner reviewed eighteen (18) of the eighty-five  
10 (85) accident and health claims closed by Certified without  
11 payment during the time period covered by the examination. Of  
12 these claims, Certified failed to:

13 a. acknowledge all eighteen (18) claims within ten  
14 (10) working days of receipt.

15 b. notify thirteen (13) claimants of the acceptance  
16 or denial of their claims within fifteen (15) working days after  
17 the receipt of properly executed proofs of loss.

18 c. complete investigation of six (6) claims within  
19 thirty (30) days after notification of the claims, and did not  
20 provide information in the claim files showing that the  
21 investigations could not reasonably be completed within such  
22 time.

23 d. notify five (5) claimants that more than fifteen  
24 (15) working days would be needed to determine whether the claim  
25 would be accepted or denied.

#### 26 CONCLUSIONS OF LAW

27 1. By failing to acknowledge notification of claims or  
28 pay the claims within ten (10) working days of their receipt,

1 Certified violated A.A.C. R4-14-801(E)(1) and A.R.S. §  
2 20-461(A)(2).

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

7 3. By failing to pay claims within thirty (30) days after  
8 the receipt of proofs of loss which contained all information  
9 necessary for claim adjudication, and failing to pay interest on  
10 the amount due, Certified violated A.R.S. §§ 20-461(A)(2) and  
11 20-462(A).

12 4. By failing to complete claim investigations within  
13 thirty (30) days after notification of the claims, and by  
14 failing to produce evidence in the claim files which showed that  
15 they could not reasonably be completed within such time,  
16 Certified violated A.A.C. R4-14-801(F) and A.R.S. § 20-461(A)(3).

17 5. By failing to notify claimants that more than fifteen  
18 (15) working days would be needed to determine whether their  
19 claims would be accepted or denied, Certified violated A.A.C.  
20 R4-14-801(G)(1)(b) and A.R.S. § 20-461(A)(5).

21 6. By failing to pay claims in the exact amounts due  
22 pursuant to the terms of its policies, Certified violated A.A.C.  
23 R4-14-801(D)(1) and A.R.S. § 20-461(A)(1).

24 7. Grounds exist for the Director to revoke or suspend  
25 Certified's Certificate of Authority.

26 8. Grounds exist for the entry of all other provisions of  
27 the following order.

28 . . . . .

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

ORDER

Certified 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 rights 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. Certified shall cease and desist from failing to acknowledge notification of claims within ten (10) working days of their receipt; from failing to notify insureds of the acceptance or denial of claims within fifteen (15) working days of receipt of properly executed proofs of loss; from failing to pay claims within thirty (30) days after receipt of a proof of loss which contains all information necessary for claim adjudication or to pay interest on the amounts of the claims from the date of receipt by Certified; from failing to complete claims investigations within thirty (30) days after claim notification, or documenting that the investigations could not reasonably be completed within thirty (30) days; from failing to notify claimants that more than fifteen (15) working days would be needed to determine whether their claims would be accepted or denied; and from failing to pay claims in the exact amounts due pursuant to policy terms.

2. Certified shall develop a written action plan to monitor and ensure that its personnel process claims in accordance with A.R.S. §§ 20-461, 20-462, and A.A.C. R4-14-801, including but not limited to those sections cited under the

1 Conclusions of Law above. Certified shall submit copies of the  
2 action plan to the ADOI for approval within thirty (30) days of  
3 the filed date of this Order.

4 3. Certified shall conduct a self-audit of all first  
5 party claims paid from January 1, 1988 through June 30, 1991  
6 which were not reviewed by the Examiners to determine whether  
7 interest was paid on claims not paid by the 30th day after  
8 Certified's receipt of proofs of loss containing all information  
9 necessary for claims adjudication.

10 4. Certified shall pay to the claimants listed in Exhibit  
11 IV of the Report, and those to whom interest was due but not  
12 paid as determined by the above self-audit, interest on the  
13 amounts of the claims unpaid on the 30th day after Certified's  
14 receipt of proofs of loss containing all information necessary  
15 for claims adjudication. Interest shall be paid at the rate of  
16 ten percent (10%) per annum calculated from the date the claim  
17 was received by the insured to the date the claim was paid.

18 5. The payments listed in Paragraph 4 shall be made  
19 within thirty (30) days of the filed date of this Order, and  
20 shall be accompanied by a letter to the insureds acceptable to  
21 the Director. A list of payments, giving the name and address  
22 of each party to whom they were made, the base amount, the  
23 amount of interest paid, and the date of payment, shall be  
24 provided to the ADOI when all payments have been made.

25 6. The ADOI shall be permitted, through an authorized  
26 representative, to verify that Certified has complied with all  
27 provisions of this Order, and the Director may separately order  
28 Certified to comply.







1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

COPY of the foregoing mailed/delivered  
this 31st day of May , 1994 to:

- Katrina Rogers  
Chief Hearing Officer
  - Saul R. Saulson  
Supervisor  
Examinations Section
  - \*Mary Butterfield  
Manager  
Health Policy Division
  - Erin H. Klüg  
Manager  
Early Detection Unit
  - Earl Brown  
Acting Supervisor  
Life and Disability Section
  - Deloris E. Williamson  
Assistant Director  
Rates & Regulations Division
  - Jay Rubin  
Assistant Director  
Investigations Division
  - Gary Torticill  
Assistant Director and Chief Financial Examiner  
Corporate & Financial Affairs Division
- ARIZONA DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
Phoenix, AZ 85018
- Erwin McKendry  
Vice President  
Certified Life Insurance Company  
4800 North Kenneth Avenue  
Chicago, Illinois 60630-2594

  
\_\_\_\_\_