

1 3. On December 29, 1994, Respondent entered into a Consent Order, Docket Number
2 8664, in which Respondent was ordered to cease and desist from failing to:

3 a. Provide claimants with an appropriate reply within ten working days after
4 receipt of a pertinent communication that reasonably suggests that a response be expected.

5 b. Advise claimants of the acceptance or denial of a claim within 15 working
6 days of receipt of properly executed proofs of loss.

7 c. Complete the investigation of claims within 30 days after notification of a
8 claim.

9 4. Respondent failed to file its 1995 list of agents with the Department prior to January
10 30, 1995. Respondent filed its 1995 list of agents on or about February 6, 1995.

11 5. The Examiners reviewed 180 pieces of advertising materials used in Arizona.

12 a. One of the advertising pieces failed to identify the insurer.

13 b. Respondent failed to file the advertising materials for six group health forms,
14 one group health policy and certificate form, one dental policy form and one group certificate as
15 requested by the Director of Insurance (“the Director”).

16 6. The Examiners reviewed 45 applications for “single issue” group health insurance
17 coverage that were accepted by Respondent, and found that, with regard to 11 applications with
18 adverse underwriting decisions, Respondent failed to provide the required Summaries of Rights.

19 7. The Examiners requested for review 17 applications for “single issue” group health
20 insurance coverage that had been declined by Respondent, and found that:

21 a. Respondent did not produce one file to the Examiners.

22 b. All of the 16 files reviewed did not contain the required summary of rights.

23 8. Examiners reviewed nine withdrawn applications for “single issue” group health
24 insurance coverage and found the following:

25 a. Three of the files did not contain the required Summaries of Rights.

1 b. One of the files reviewed, Respondent misrepresented to an applicant, who
2 had attempted to become the primary insured on her husband's policy in anticipation of a divorce,
3 that she needed to apply for her own coverage. By failing to advise the applicant that she could
4 obtain conversion coverage, without evidence of insurability, within 31 days after the effective date
5 of the divorce, Respondent subjected the applicant to health underwriting, with adverse
6 underwriting decisions, on the new application.

7 c. On the same application, Respondent offered the applicant coverage subject
8 to waivers for three medical conditions, which constituted exclusionary riders on group coverage.

9 9. Respondent, through its administrator Dental Network of America, issued one
10 dental policy in Arizona without first filing the out-of-state policy with the Department.

11 10. Respondent, through its administrator Haney Group Services, issued one group
12 health policy in Arizona without first filing the out-of-state policy with the Department.

13 11. The Examiners reviewed 25 group health applications issued by the Company
14 through its administrator Insurers Administrative Corporation ("IAC") during the time frame of the
15 examination and found that four files containing adverse underwriting decisions did not contain the
16 required Summary of Rights.

17 12. The Examiners requested for review 42 declined IAC group health applications, and
18 Respondent failed to produce the files to the Examiners.

19 13. The Examiners requested for review 24 withdrawn IAC group health applications
20 and Respondent failed to produce the files to the Examiners.

21 14. Examiners reviewed 1,161 claims from Respondent's group health, dental and vision
22 plans. The claims were processed by the Respondent directly or as delegated by the following
23 TPA's: ABI Administrative Services Corporation, dba Corporate Benefits Services of America,
24 DCA, Dental Network of America, Eye Care Plan of America, Haney Group Services, Health
25

1 Corporation International Inc., Health Program Managers, Insurers Administrative Corporation,
2 Kelsey National Corporation, Kirke Van-Orsdel Inc. and Total Plan Services.

3 15. Of the 485 group health paid claims reviewed by the Examiners:

4 a. Respondent failed to acknowledge receipt of 118 claims within ten working
5 days.

6 b. Respondent failed to send a notice of acceptance or denial within 15 working
7 days of receipt of final proofs of loss on 151 claims.

8 c. Respondent failed to produce 16 claim files to the Examiners.

9 d. Respondent failed to pay 103 claims within 30 calendar days of receipt of an
10 acceptable proof of loss.

11 e. Respondent failed to pay interest on 104 claims not paid within 30 days of
12 receipt of final proofs of loss. Respondent has already paid sums due.

13 16. Of the 280 group health denied claims reviewed by the Examiners:

14 a. Respondent failed to acknowledge receipt of 39 claims within ten working
15 days.

16 b. Respondent failed to produce six claim files to the Examiners.

17 c. Respondent failed to send a notice of acceptance or denial within 15 working
18 days of receipt of final proofs of loss on 95 claims.

19 17. Of the 296 dental paid, denied and closed claims reviewed by the Examiners:

20 a. Respondent failed to acknowledge receipt of 99 claims within ten working days.

21 b. Respondent failed to send notice of acceptance or denial within 15 working days
22 of receipt of final proofs of loss on 58 claims.

23 c. Respondent failed to pay 20 claims within 30 calendar days of receipt of an
24 acceptable proof of loss.

1 d. Respondent failed to pay interest on 20 claims not paid within 30 days of receipt
2 of final proofs of loss. Respondent has already paid sums due.

3 18. Of the 100 vision paid claims reviewed by the Examiners:

4 a. Respondent failed to produce 26 of the claim files to the Examiners.

5 b. Respondent failed to acknowledge receipt of 13 claims within ten working
6 days.

7 c. Respondent failed to send notice of acceptance within 15 working days of
8 receipt of final proofs of loss on seven claims.

9 d. Respondent failed to pay interest on two claims not paid within 30 days of
10 receipt of final proofs of loss. Respondent has already paid sums due.

11 19. The Respondent has made all interest payments plus interest at 10% to all insureds.
12

13 **CONCLUSIONS OF LAW**

14 1. Respondent violated A.R.S. § 20-297 by failing to file its 1995 list of agents with the
15 Department prior to January 30, 1995.

16 2. Respondent violated A.A.C. R20-6-201(L) by using an advertising piece that failed to
17 identify the insurer.

18 3. Respondent violated A.R.S. § 20-1110(E) by failing to file the advertising materials
19 for six group health forms, one group health policy and certificate form, one dental policy form, and
20 one group certificate as requested by the Director.

21 4. Respondent violated A.R.S. § 20-2110(A) by failing to provide applicants whose
22 applications were subject to adverse underwriting decisions with the required Summaries of Rights.

23 5. Respondent violated A.R.S. § 20-157(A) by failing to produce files for review upon
24 request by the Examiners.

25

1 6. Respondent violated A.R.S. § 20-443(5) by misrepresenting to a policyholder for the
2 purpose of tending to induce the policyholder to lapse, forfeit, or surrender an insurance policy.

3 7. Respondent violated A.R.S. § 20-2310(A) by offering group coverage subject to
4 waivers for medical conditions.

5 8. Respondent violated A.R.S. § 20-1401.01(B) by failing to file out-of-state policy
6 forms with the Department prior to their use in Arizona.

7 9. Respondent violated A.R.S. § 20-461(A)(2), A.A.C. R20-6-801(E)(1), and a lawful
8 order of the Director by failing as a general business practice to acknowledge receipt of claims
9 within ten working days.

10 10. Respondent violated A.R.S. § 20-461(A)(5), A.A.C. R20-6-801(G)(1)(a), and the 1994
11 Order of the Director by failing as a general business practice to send notice of acceptance or denial
12 of claims within 15 working days of receipt of an properly executed proof of loss.

13 11. Respondent violated A.R.S. § 20-461(A)(6), A.A.C. R20-6-801(F), and a lawful order
14 of the Director by failing as a general business practice to complete its investigation and pay claims
15 within 30 calendar days after notification of a claim.

16 12. Respondent violated A.R.S. § 20-462(A) by failing to pay interest at the legal rate on
17 all claims not paid within 30 days of receipt of an acceptable proof of loss.

18 13. Respondent violated A.A.C. R20-6-801(C) by failing to maintain claims files records
19 that contain all notes and work papers pertaining to the claim in such detail that pertinent events and
20 the dates of such events may be reconstructed.

21 14. Grounds exist for the entry of the following Order in accordance with A.R.S. §§ 20-
22 220, 20-456 and 20-2117.

23

ORDER

IT IS HEREBY ORDERED THAT:

1. Respondent shall cease and desist:

a. failing to file its advertising materials with the Department when requested to do so;

b. failing to provide applicants whose applications were subject to adverse underwriting decisions with the required Summaries of Rights;

c. failing to provide files for review upon request by the Director or his designated employees or examiners;

d. failing to file its out-of-state policy forms and/or certificates with the Department prior to use in Arizona;

e. failing to acknowledge receipt of claims within ten working days;

f. failing to send notice of acceptance or denial of claims within 15 working days of receipt of an properly executed proof of loss;

g. failing to complete its investigation and pay claims within 30 calendar days after notification of a claim;

h. failing to pay interest at the legal rate on all claims not paid within 30 days of receipt of an acceptable proof of loss;

i. failing to maintain claims files records that contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events may be reconstructed.

2. Within 90 days of this Order's filed date, Respondent shall submit to the Arizona Department of Insurance, for approval, evidence that the following corrections have been implemented and communicated to the appropriate personnel. Evidence of corrective action and communication thereof includes but is not limited to memos, bulletins, E-mails, correspondence, procedure manuals, print screens and training materials.

1 a. Institute or modify procedures to ensure compliance with A.R.S. § 20-157,
2 regarding the failure to provide files for review upon request by Examiners.

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

6 c. Institute or modify procedures to ensure compliance with A.A.C. R20-6-801(C),
7 regarding the failure to document claim files in sufficient detail such that pertinent events and the
8 dates of those events can be reconstructed by the Examiners.

9 3. Respondent shall submit written corrective action plans to the Department of
10 Insurance for approval within 90 days prior to writing group disability policies in the state of
11 Arizona. These corrective action plans shall be developed to ensure the company's future
12 compliance with A.R.S. §20-1401.01

13 3. The Department shall be permitted, through authorized representatives, to verify that
14 Respondent has complied with all provisions of this Order.

15 4. Respondent shall pay a civil penalty of \$40,000.00 to the Director for remission to the
16 State Treasurer for deposit in the State General Fund in accordance with A.R.S. §§ 20-220(b) 20-456
17 and 20-2117. The civil penalty shall be provided to the Market Conduct Examination Division of
18 the Department prior to the filing of this Order.

19 5. The December 12, 1997 Report of Examination and the March 28, 1999 Letter of
20 Objection to the Report filed by Respondent shall be filed with the Department after this Order is
21 issued.

22 DATED this 31st day of July, 2000.

23 

24 **Charles R. Cohen**
25 **Director of Insurance**

CONSENT TO ORDER

1
2 1. Respondent (Security Life Insurance Company of America) has reviewed the
3 foregoing Order.

4 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona,
5 admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and
6 Order.

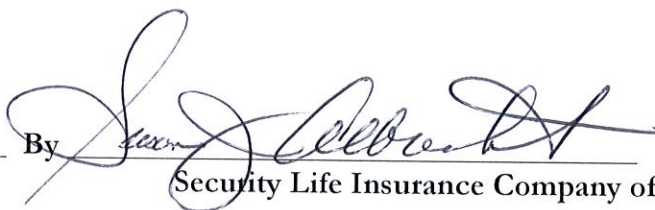
7 3. Respondent is aware of the right to a hearing, at which it may be represented by
8 counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives the right to
9 such notice and hearing and to any court appeals related to this Order.

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

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

18 6. Susan J. Albrecht, who holds the office of
19 President + CEO of Respondent, is authorized to enter into this Order for it and on
20 its behalf.

21
22 7/26/00
23 (Date)

21
22 By 
23 Security Life Insurance Company of America

1 COPY of the foregoing mailed/delivered
2 this 31st day of July, 2000, to:

3
4 Sarah Begley
5 Deputy Director
6 Paul J. Hogan
7 Chief Market Conduct Examiner
8 Mary Butterfield
9 Assistant Director
10 Consumer Affairs Division
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Kelly Stevens
15 Acting Assistant Director
16 Financial Affairs Division
17 Nancy Howse
18 Chief Financial Examiner
19 Terry L. Cooper
20 Fraud Unit Chief
21 Dennis Babka
22 Life and Health Section Supervisor

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

Security Life Insurance Company of America
Lisa M. Dosch, Compliance Assistant
10901 Red Circle Drive
Minnetonka, MN 55343-9137

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