

MAR 7 2001

DEPT. OF INSURANCE
BY CB

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

Aetna Life Insurance Company,
NAIC #60054

Respondent.

) Docket No. 01A-063-INS

)
) CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Aetna Life Insurance Company ("Aetna Life"). The Report of the Examination of the Market Conduct Affairs of Aetna Life dated February 19, 1998 alleges that Aetna Life has violated A.R.S. §§ 20-157, 20-444, 20-461, 20-462, 20-1002, 20-1005, 20-1007, 20-1009, 20-1401.01, 20-1403, 20-2110, 20-2304, and 20-2309, and A.A.C. R20-6-215, and R20-6-801.

Aetna Life wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

The following Findings of Fact relate to the time period of the Examination, January 1, 1994 through April 1, 1997.

1. Aetna Life is authorized to transact life and disability insurance 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 Aetna Life. The on-site examination covered the time period from January 1, 1994 through April 1, 1997. Based on the findings the Examiners prepared

1 the "Report of Examination of the Market Conduct Affairs of Aetna Life Insurance
2 Company" dated February 19, 1998.

3 3. The Examiners reviewed 53 pieces of advertising materials used by the
4 Company during the time frame of the examination and found that Aetna Life used a
5 logo on stationary used for marketing Aetna Dental Plan, prior to the Department's
6 approval of that logo.

7 4. The Examiners reviewed 20 of 109 group health renewals issued by the
8 Company during the time frame of the examination and found that Aetna Life did not
9 provide 60 days advance notice prior to changing the premium rates of three policies.

10 5. The Examiners reviewed the three group plans offered by the Company as
11 an EPO (Exclusive Provider Organization) during the time frame of the examination
12 and concluded that Aetna Life was not authorized to issue a group disability policy in
13 Arizona in which services are only rendered by a particular provider or selected
14 hospital. Aetna Life voluntarily discontinued offering the EPO plan upon learning of the
15 Department's interpretation.

16 6. The Examiners reviewed what the Company called its HMO Dental Plan,
17 and found it to be operated like a prepaid dental plan. On the basis of their findings,
18 the Examiners concluded:

- 19 a. Aetna Life failed to obtain a certificate of authority for a prepaid dental
20 plan.
- 21 b. Aetna Life failed to maintain a security bond, cash, or securities.
- 22 c. Aetna Life failed to file four forms that were categorized as coverage
23 or amendment declarations, or advertising or sales materials.
- 24 d. Aetna Life failed to file on March 31, a report covering its activities for
25 the preceding calendar year.

1 7. The Examiners reviewed five of five life insurance policies replaced by the
2 Company during the time frame of the examination and found that Aetna Life did not
3 mail a *Notice Regarding the Replacement of Life Insurance* to one existing insurer
4 within three working days of receipt of the application.

5 8. The Examiners reviewed 2,033 of 264,508 claims paid, denied, and pended
6 by the Company during the time frame of the examination and found as follows:

7 a. Aetna Life failed to acknowledge receipt of notification of 831 claims
8 within ten working days of receipt of the claim.

9 b. Aetna Life failed to complete the investigation of 121 claims within 30
10 days after notification of the claim.

11 c. Aetna Life failed to notify 409 claimants of the acceptance or denial of
12 a claim within 15 working days of receipt of the claim.

13 d. Aetna Life failed to send a letter to 121 claimants, stating the reasons
14 additional time was needed for an investigation, within 15 working days of receipt of an
15 acceptable proof of loss.

16 e. Aetna Life failed to pay interest on 65 claims that were not paid within
17 30 days of receipt of an acceptable proof of loss.

18 9. The Examiners reviewed 30 long term care insurance applications declined
19 by the Company during the time frame of the examination and found that Aetna Life
20 failed to provide 30 applicants with a Summary of Rights.

21 10. The Examiners reviewed 29 certificate of insurance coverage booklet forms
22 used by the Company during the time frame of the examination to explain coverage
23 provisions to new Arizona resident insureds. The examiners found that Aetna Life failed
24 to include the following statement displayed prominently on 29 forms: "Notice: This
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1 certificate of insurance may not provide all the benefits and protections provided by law
2 in Arizona, please read this certificate carefully.”

3 11. The Examiners reviewed 21 of 477 denials of coverage by the Company
4 during the time frame of the examination and found that Aetna Life failed to offer
5 coverage to five qualified applicants.

6 CONCLUSIONS OF LAW

7 The following Conclusions of Law relate to the time period of the Examination,
8 January 1, 1994 through April 1, 1997.

9 1. Aetna Life violated A.R.S. § 20-444(A) by using a logo on advertising pieces
10 that was not approved by the Director, and was therefore, misleading.

11 2. Aetna Life violated A.R.S. § 20-2309(A) by failing to provide 60 days
12 advance notice to the employer of a change in premium rates.

13 3. Aetna Life violated A.R.S. § 20-1403 by offering a group disability plan in
14 Arizona that required the insured to obtain services from a particular hospital or person.

15 4. Aetna Life violated A.A.C. R20-6-801(E)(1) and A.R.S. § 20-461(A)(2) by
16 failing to acknowledge claims within ten working days of receipt.

17 5. Aetna Life violated A.A.C. R20-6-801(F) and A.R.S. § 20-461(A)(3) by
18 failing to complete the investigation of claims within 30 days after notification, without
19 providing evidence that the investigations could not reasonably be completed within
20 that time.

21 6. Aetna Life violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. § 20-461(A)(5) by
22 failing to advise first party claimants of the acceptance or denial of claims within fifteen
23 working days after receipt of properly executed proofs of loss.

24 7. Aetna Life violated A.R.S. § 20-462(A) by failing to pay interest on all claims
25 not paid within 30 days of receipt of an acceptable proof of loss.

1 8. Aetna Life violated A.A.C. R20-6-801(G)(1)(b) and A.R.S. § 20-461(A)(3) by
2 failing to send a letter to its claimants, stating the reasons additional time was needed
3 for an investigation, within 15 working days of receipt of an acceptable proof of loss.

4 9. Aetna Life violated A.R.S. § 20-1002(A) by failing to obtain a certificate of
5 authority from the Department prior to operating a prepaid dental plan.

6 10. Aetna Life violated A.R.S. § 20-1005(A) by failing to deposit with the
7 Department a surety bond, securities, or cash prior to operating a prepaid dental plan.

8 11. Aetna Life violated A.R.S. § 20-1007(C) by failing to file prepaid dental plan
9 coverages and amendments, advertising matter, and sales materials prior to their use
10 in Arizona.

11 12. Aetna Life violated A.R.S. § 20-1009(A) by failing to file a report with the
12 Department on March 31 that covers its activities for the preceding calendar year.

13 13. Aetna Life violated A.A.C. R20-6-801(C) by failing to maintain files in such a
14 manner that pertinent events and the dates of those events can be reconstructed.

15 14. Aetna Life violated A.A.C. R20-6-215(F)(3)(c) by failing to send a *Notice*
16 *Regarding Replacement of Life Insurance* to the existing insurer within three working
17 days.

18 15. Aetna Life violated A.R.S. § 20-2110(A) by failing to give applicants a
19 *Summary of Rights*.

20 16. Aetna Life violated A.R.S. § 20-1401.01(A) by failing to include the following
21 statement in its certificate of insurance booklet: "Notice: This certificate of insurance
22 may not provide all the benefits and protections provided by law in Arizona. Please
23 read this certificate carefully."

24 17. Aetna Life violated A.R.S. § 20-2304(A) by denying coverage to qualified
25 applicants.

1 18. Grounds exist for the entry of the following Order, in accordance with A.R.S.
2 §§ 20-220, 20-456, and 20-2117.

3 **ORDER**

4 **IT IS HEREBY ORDERED THAT:**

5 1. Aetna Life Insurance Company shall cease and desist from committing the
6 following practices:

7 a. Failing to pay interest on all claims not paid within 30 days of receipt of
8 an acceptable proof of loss.

9 b. Failing to obtain a certificate of authority from the Department prior to
10 operating a prepaid dental plan;

11 c. Failing to deposit with the Department a surety bond, securities, or
12 cash prior to operating a prepaid dental plan;

13 d. Failing to file prepaid dental plan coverages and amendments,
14 advertising matter, and sales materials prior to their use in Arizona; and

15 e. Failing to file a report with the Department on March 31 that covers its
16 activities from the preceding calendar year.

17 f. Failing to include the following statement in its certificate of insurance
18 booklet: "Notice: This certificate of insurance may not provide all the benefits and
19 protections provided by law in Arizona. Please read this certificate carefully."

20 g. Offering a group disability plan in Arizona that requires the insured to
21 obtain services from a particular hospital or person.

22 h. Failing to give applicants a *Summary of Rights*.

23 i. Denying coverage to qualified applicants.

24 j. Failing to acknowledge claims within ten working days of receipt.

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1 k. Failing to complete the investigation of claims within 30 days after
2 notification, when the investigations could reasonably have been completed within that
3 time.

4 l. Failing to advise first party claimants of the acceptance or denial of
5 claims within fifteen working days after receipt of an acceptable proof of loss.

6 m. Failing to send a letter to its claimants, stating the reasons additional
7 time was needed for an investigation, within 15 working days of receipt of an
8 acceptable proof of loss.

9 2. Within 90 days of the filed date of this Order, Aetna Life shall submit to the
10 Arizona Department of Insurance, for approval, evidence that the following corrections
11 have been implemented and communicated to the appropriate personnel, regarding the
12 issues outlined in Item 1 of the Order section of this Consent Order. Evidence of
13 corrective action and communication thereof includes but is not limited to memos,
14 bulletins, E-mails, correspondence, procedure manuals, print screens and training
15 materials.

16 3. Within 90 days of the filed date of this Order, Aetna Life shall pay the
17 interest due on the 65 claims listed in Exhibit A of this Order. Interest shall be
18 calculated at the rate of ten per cent per annum from the date each claim was received
19 by the Company, to the date the claim was paid.

20 4. Each payment referenced in item 3 above shall be accompanied by a letter
21 of explanation to the insured in a form previously approved by the Director. A list of
22 payments giving the name and address of each party paid, the amount of each claim
23 paid, the amount of interest paid and the date of payment, shall be provided to the
24 Department within 90 days of the filed date of this Order.

1 5. Within 90 days of the filed date of this Order, Aetna Life shall provide
2 documentation to the Department that all of its prepaid dental business has been
3 transitioned to Aetna U.S. Healthcare, Inc., or any Aetna affiliate with an appropriate
4 Certificate of Authority.

5 6. The Department shall be permitted, through authorized representatives, to
6 verify that Aetna Life has complied with all provisions of this Order.

7 7. Aetna Life shall pay a civil penalty of \$75,000 to the Director for deposit in
8 the State General Fund in accordance with A.R.S. §§ 20-220(B) and 20-456. The civil
9 penalty shall be provided to the Market Conduct Examination Division of the
10 Department prior to the filing of this Order.

11 8. The February 19, 1998 Report of Examination of the Market Conduct Affairs
12 of Aetna Life Insurance Company, including the letter submitted in response to the
13 Report of Examination, shall be filed with the Department after the director has filed this
14 Order.

15 DATED at Phoenix, Arizona this 6th day of March 2001.

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18 Charles R. Cohen
19 Director of Insurance
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EXHIBIT A

AETNA LIFE INSURANCE COMPANY

VIOLATIONS OF A.R.S. § 20-462(A)

FAILURE TO PAY INTEREST ON CLAIMS WITHIN 30 DAYS OF RECEIPT OF AN ACCEPTABLE PROOF OF LOSS

Open Choice Claims Paid

029953250002843	029951100004922	029970380010877
029953410001339	029951380008463	029971050003428
029942080009973	029952990003503	029962470003902
029942600002820	029951650004908	029962970008759
029953070007399		

Total 13

Traditional Dental Claims Paid

106953390017239	132943220002602	132952640006424
132960120008668	029961630004366	029970340000446
029951300003638	029970070005544	132970070014318
029963160006958	132960040006880	132940120000567
029963380002735	029951990003484	132961380004621
132962680007387	132953070011862	132963230007621
132963440016595		

Total 19

Conversion Paid Claims

175951870015209	174940730011425
174942420011467	174942500002306

Total 4

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Managed Choice Paid Claims

111996-07-26104043	111994-12-280055003
111995-09-13020009	111996-01-11906017
111995-06-12022001	

Total 5

Open Choice Claims Delayed

029950310007661	029970380010870
029960150004180	029960050002260
029970850005011	029952060001632
029963230002605	029943350008224
029950480006415	029941090003245
029940210003056	029943330003363
029951450007911	029961140001982
029950170007404	132963590008496
029942990006994	029943040003125

Total 18

Dental Claims Paid

31750459605	57813219204	33352217901
21352654501	36350836601	52345127102

Total 6

Grand Total 65 Claims

CONSENT TO ORDER

1. Aetna Life Insurance Company has reviewed the foregoing Order.

2. Aetna Life Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. Aetna Life Insurance Company is aware of the right to a hearing, at which they may be represented by counsel, present evidence, and cross-examine witnesses. Aetna Life Insurance Company irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.

4. Aetna Life Insurance Company states that no promise of any kind or nature whatsoever was made to them to induce them to enter into this Consent Order and that they have entered into this Consent Order voluntarily.

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

6. Thomas R. Williams, who holds the office of Vice President of Aetna Life Insurance Company, is authorized to enter into this Order for them and on their behalf.

2/24/01

Date

AETNA LIFE INSURANCE COMPANY

By 

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

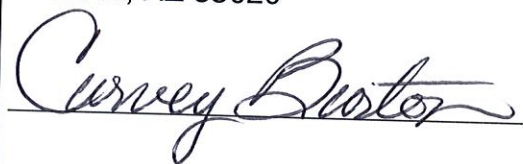
2 **This 7th day of March , 2001, to:**

- 3
- 4 Sara Begley
Deputy Director
- 5 Mary Butterfield
Assistant Director
- 6 Consumer Affairs Division
- 7 Paul J. Hogan
Chief Market Conduct Examiner
Market Conduct Examinations Section
- 8 Deloris E. Williamson
Assistant Director
- 9 Rates & Regulations Division
- 10 Steve Ferguson
Assistant Director
- 11 Financial Affairs Division
- 12 Nancy Howse
Chief Financial Examiner
- 13 Alexandra Shafer
Assistant Director
- 14 Life & Health Division
- 15 Terry L Cooper
Fraud Unit Chief

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

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19 Aetna Life Insurance Company
Clifford W. Klima, President
20 7878 North 16th Street, Ste. 300
Phoenix, AZ 85020

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