

MAR 16 2001

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY

In the Matter of:)	Docket No. 01A-073-INS
)	
AMERICAN NATIONAL LIFE INSURANCE COMPANY)	
OF TEXAS)	CONSENT ORDER
NAIC #71773,)	
)	
Respondent)	
)	

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of American National Life Insurance Company of Texas ("ANLICOT"). The Report of the Examination of the Market Conduct Affairs of ANLICOT, dated May 11, 2000, alleges that ANLICOT has violated A.R.S. §§20-461, 20-462, 20-2323, 20-2533 and A.A.C. R20-6-801.

ANLICOT 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

1. ANLICOT 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 ANLICOT. The on-site examination covered the time period from January 1, 1999 through December 31, 1999 for claims, and January 1, 1998 through December 31, 1999 for all other areas of review, and was concluded on May 11, 2000. Based on the findings, the Examiners prepared the "Report of Examination of the Market Conduct Affairs of American National Life Insurance Company of Texas, dated

1 May 11, 2000.

2 3. The Department previously conducted a market conduct examination of
3 ANLICOT. The on-site examination was concluded as of June 18, 1993. As a result, a
4 Consent Order (the "1995 Order") was filed by the Director on January 25, 1995,
5 Docket No. 95-019. The 1995 Order stated in pertinent part as follows:

6 ANLICOT shall cease and desist from failing to: a) acknowledge receipt of
7 notification of claim within ten (10) working days of receipt thereof...c) advise
8 claimants of the acceptance or denial of the claim within fifteen (15) working
9 days after receipt of properly executed proofs of loss...[and shall] e) either pay
10 claims within thirty (30) days after receipt of acceptable proofs of loss which
11 contain all information necessary for claim adjudication, or pay interest thereon
12 at the legal rate from the date the claim was received.

13 4. The Examiners found that ANLICOT distributed disclosure form ANL-
14 3113AZ, that did not disclose to small employers the statement pertaining to provider
15 incentives for non-referrals to specialists, a list of plan providers, an explanation of
16 whether drugs would be prescribed from a formulary or from a list and an outline of a
17 grievance procedure involving denied claims.

18 5. The Examiners found that ANLICOT failed to distribute an approved health
19 care appeals information packet from July 1, 1998 through December 31, 1999 to 27
20 Select III small employer group insureds and approximately 900 newly issued
21 association group major medical insureds.

22 6. The Examiners reviewed 50 of 149 small employer group paid claims, 50 of
23 83 small employer group denied claims, 100 of 9,032 association group major medical
24 paid claims, 50 of 1,921 association group major medical denied claims, 50 of 2,544
25 association group hospital and catastrophic claims paid, 50 of 668 association group
hospital and catastrophic denied claims and 46 of 46 dental paid claims and found as
follows:

1 a. ANLICOT failed to acknowledge the receipt of 148 claims within 10
2 working days of receipt.

3 b. ANLICOT failed to advise the first party claimant of the acceptance or
4 denial of 128 claims within 15 working days after receipt by ANLICOT of properly
5 executed proof of loss.

6 c. ANLICOT failed to pay interest on 6 first party claims paid more than
7 30 days after receipt of an acceptable proof of loss which contained all information
8 necessary for claim adjudication.

9 **CONCLUSIONS OF LAW**

10 1. ANLICOT violated A.R.S. §20-2323(A)(1), (4) and (5) by using an
11 information disclosure form which did not contain all provisions required to be disclosed
12 to all employer groups.

13 2. ANLICOT violated A.R.S. §20-2533(C) by failing to distribute an approved
14 appeals information packet with all newly issued health insurance policies and
15 certificates.

16 3. ANLICOT violated A.R.S. §20-461(A)(2), A.A.C. R20-6-801(E)(1) and the
17 1995 Order by failing to acknowledge the receipt of the initial notice of claim within 10
18 working days of receipt.

19 4. ANLICOT violated A.R.S. §20-461(A)(5), A.A.C. R20-6-801(G)(1)(a) and the
20 1995 Order by failing to advise first party claimants of the acceptance or denial of
21 claims within 15 working days of receipt of properly executed proof of loss.

22 5. ANLICOT violated A.R.S. §20-462(A) and the 1995 Order by failing to pay
23 interest on first party claims paid more than 30 days after receipt of acceptable proof of
24 loss containing all information necessary for claim adjudication.

25 6. Grounds exist for the entry of the following Order, pursuant to A.R.S. §§20-

1 220(B) and 20-456.

2 **ORDER**

3 **IT IS ORDERED THAT:**

4 1. ANLICOT shall:

- 5 a. Use information disclosure forms that contain all necessary provisions.
- 6 b. Acknowledge the receipt of nonprovider claims within ten working days
7 of receipt.
- 8 c. Advise claimants of the acceptance or denial of nonprovider claims
9 within 15 working days of receipt of an acceptable proof of loss.
- 10 d. Pay interest on all nonprovider claims paid more than 30 days after
11 receipt of an acceptable proof of loss.
- 12 e. Comply with the provisions of prior consent orders.

13 2. Within 90 days of the filed date of this order ANLICOT shall submit to the
14 Arizona Department of Insurance, for approval, evidence that corrections have been
15 implemented and communicated to the appropriate personnel regarding all of the items
16 mentioned in Paragraph 1 of the Order section of this Consent Order. Evidence of
17 corrective action and communication thereof includes but is not limited to memos,
18 bulletins, E-mails, correspondence, procedure manuals, print screens and training
19 materials, copies of checks or other evidence of payment.

20 3. The Department shall be permitted through authorized representatives to
21 verify that ANLICOT has complied with all provisions of this Order.

22 4. ANLICOT shall pay a civil penalty of \$18,000 to the Director for deposit into
23 the general fund in accordance with A.R.S. §20-220(B). This civil penalty shall be
24 provided to the Market Conduct Examination Section of the Department prior to the
25 filing of this Order.

1 5. The report of the examination of the market conduct affairs of American
2 National Life Insurance Company of Texas dated May 11, 2000, including the letter
3 submitted in response to the report of examination, shall be filed with the Department
4 after the Director has filed this Order.

5 Dated at Phoenix, Arizona this 15th day of March, 2001.

6
7 *Charles R. Cohen*

8 Charles R. Cohen
9 Director of Insurance

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CONSENT TO ORDER

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2 1. American National Life Insurance Company of Texas has reviewed the
3 foregoing Order.

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

7 3. American National Life Insurance Company of Texas is aware of its right to
8 a hearing, at which it may be represented by counsel, present evidence and cross-
9 examine witnesses. American National Life Insurance Company of Texas irrevocably
10 waives its rights to such notice and hearing and to any court appeals related to this
11 Order.

12 4. American National Life Insurance Company of Texas states that no promise
13 of any kind or nature whatsoever was made to it to induce it to enter into this Order and
14 that it has entered into this Order voluntarily.

15 5. American National Life Insurance Company of Texas acknowledges that the
16 acceptance of this Order by the Director of Insurance, State of Arizona is solely to settle
17 this matter against it, and does not preclude any other agency or officer of this State or
18 its subdivisions or any other person from instituting proceedings, whether civil, criminal,
19 or administrative, as may be appropriate now or in the future.

20 6. Gareth W. Tolman, who holds the office of ~~Senior~~ Vice President of
21 American National Life Insurance Company of Texas, is authorized to enter into this
22 order for it and on its behalf.

American National Life Insurance Company of Texas

23
24 3/6/01

By: 

25 Date

1 Copy of the foregoing mailed/delivered
2 this 16th day of March 2001 to:

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

24 Department of Insurance
25 2910 North 44th Street, Second Floor
Phoenix, Arizona 85018

Philip T. Paris, Esq.
2929 N. 44th Street, Suite 120
Phoenix, AZ 85018-7239

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