

APR 9 2001

STATE OF ARIZONA

DEPT. OF INSURANCE
BY CB

DEPARTMENT OF INSURANCE

In the Matter of:

) Docket No. 01A-096-INS

WORLD INSURANCE COMPANY
NAIC #70629

) **CONSENT ORDER**

Respondent.

Examiners for the Arizona Department of Insurance (the "Department") conducted a Market Conduct Examination of World Insurance Company (World). The Report of the Examination of the Market Conduct Affairs of World dated August 3, 2000 alleges that World has violated A.R.S. §§20-461, 20-462, 20-2533, and A.A.C R20-6-801 and R20-6-1203.

World 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. World 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 World. The on-site examination covered the time period from April 1, 1999 through March 31, 2000 for claims, and April 1, 1998 through March 31, 2000 for all other areas reviewed, and was concluded on August 3, 2000. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of World Insurance Company" dated August 3, 2000.

3. The Examiners reviewed the HIV testing consent form used by the

1 Company during the time frame of the examination and found that World used form
2 W4200(AZ)(2/92) that had not been filed nor approved by the Director. The form has
3 been filed and approved.

4 4. The Examiners reviewed 100 of 5,076 individual major medical paid claim
5 files, 50 of 902 individual major medical denied claim files and 25 of 25 individual major
6 medical closed claim files processed during the time frame of the examination and
7 found as follows:

8 a. World failed to acknowledge the receipt of notice of 76 claims within 10
9 working days of receipt.

10 b. World failed to advise 40 first party claimants of the acceptance or denial
11 of a claim within 15 working days after receipt of properly executed proof of loss.

12 c. World failed to pay interest on eight first party claims that were not paid
13 within 30 days of receipt of acceptable proof of loss.

14 5. The Examiners reviewed the utilization review procedures of the Company
15 used during the time frame of the examination and found that World failed to distribute
16 an approved appeal information packet to 175 issued and/or renewed insureds. The
17 Appeal Information Packet has been filed and approved.

18 **CONCLUSIONS OF LAW**

19 1. World violated A.A.C. R20-6-1203(C) because it used an HIV testing
20 consent form that had not been filed nor approved by the Director.

21 2. World violated A.R.S. §20-461(A)(2) and A.A.C. R20-6-801(E)(1) because it
22 failed to acknowledge the receipt of notice of a claim within 10 working days of receipt.

23 3. World violated A.R.S. §20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a)
24 because it failed to advise first party claimants of the acceptance or denial of claims
25 within 15 working days after receipt by the insurer of properly executed proof of loss.

1 4. World violated A.R.S. §20-462(A) because it failed to pay interest on first party
2 claims that were not paid within 30 days after receipt of an acceptable proof of loss.

3 5. World violated A.R.S. §20-2533(C) because it failed to distribute an approved
4 appeals information packet to newly issued policyholders.

5 6. Grounds exist for the entry of the following Order, in accordance with A.R.S.
6 §§20-220 and 20-456

7 **ORDER**

8 **IT IS ORDERED THAT:**

9 1. World Insurance Company shall cease and desist from:

10 a. Using an HIV testing consent form that has not been filed and approved
11 by the Director.

12 b. Failing to acknowledge receipt of notification of a claim within 10 working
13 days of receipt.

14 c. Failing to advise first party claimants of the acceptance or denial of a
15 claim within 15 working days after receiving properly executed proof of loss.

16 d. Failing to pay interest on claims that were not paid within 30 days of
17 receipt of an acceptable proof of loss.

18 e. Failing to distribute an approved appeal information packet with all newly
19 issued health insurance policies.

20 2. Within 90 days of the filed date of this Order, World shall submit to the
21 Arizona Department of Insurance, for approval, action plans and/or evidence that
22 corrections have been implemented and communicated to the appropriate personnel
23 regarding all items mentioned in paragraph 1, sections b, c, and d of the Order section
24 of this Consent Order. Evidence of corrective action and communication thereof
25 includes but is not limited to memos, bulletins, Email, correspondence, procedures


1 manuals, print screens and training materials.

2 3. The Department shall be permitted through authorized representatives to
3 verify that World has complied with all of the provisions of this Order.

4 4. World shall pay a civil penalty of \$8,000.00 to the Director for deposit into
5 the State General Fund in accordance with A.R.S. §20-220(B). The civil penalty shall
6 be provided to the Market Conduct Examination Section of the Department prior to the
7 filing of this Order.

8 5. The Report of Examination of the Market Conduct Affairs of World
9 Insurance Company as of August 3, 2000, including the letter submitted in response to
10 the Report of Examination shall be filed with the Department after the Director has filed
11 this Order.

12 DATED at Phoenix, Arizona this 5th day of April, 2001.

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16 **Charles R. Cohen**
Director of Insurance

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1 **CONSENT TO ORDER**

2 1. World Insurance Company has reviewed the foregoing Order.

3 2. World Insurance Company admits the jurisdiction of the Department of
4 Insurance, State of Arizona, admits the foregoing Finding of Fact, and consents to the
5 entry of the Conclusions of Law and Order.

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

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

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

18 6. Philip M. Bowen, who holds the office of Vice President and General
19 Counsel of World Insurance Company, is authorized to enter into this Order for it and
20 on its behalf.

21 3/29/01
22 (Date)

WORLD INSURANCE COMPANY

By 

Philip M. Bowen

Vice President & General Counsel

1 Copy of the foregoing mailed/delivered
This 9th day of April, 2001, to:

2 Sarah Begley
3 Deputy Director

4 Mary Butterfield
5 Assistant Director
6 Consumer Affairs Division

7 Paul J. Hogan
8 Chief Market Conduct Examiner
9 Market Conduct Examination Section

10 Deloris E. Williamson
11 Assistant Director
12 Rates and Regulations Division

13 Steve Ferguson
14 Assistant Director
15 Financial Affairs Division

16 Nancy House
17 Chief Financial Examiner

18 Alexandra Shafer
19 Assistant Director
20 Life & Health Division

21 Terry L. Cooper
22 Fraud Unit Chief

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24 DEPARTMENT OF INSURANCE
25 2910 North 44th Street, Second Floor
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Mr. Victor Kensler, Assistant Vice President/Compliance Director
World Insurance Company
11808 Grant Street
Omaha, Nebraska 68164

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22 Curvey Burton