



1           3.     The Examiners reviewed all of the forms used by the Company during the  
2 time frame of the examination and found as follows:

3           a.     Valley Forge used a Life Insurance Buyer's Guide that did not  
4 contain all of the required language and therefore misrepresented the terms of the  
5 policy.

6           b.     Valley Forge used an HIV-related test consent form that was not  
7 filed nor approved by the Director.

8           c.     Valley Forge used a claim form that did not contain a compliant  
9 fraud warning notice.

10          d.     Valley Forge used a variable universal life application form that did  
11 not contain:

12           i.     A prominent statement that the death benefit may be  
13 variable or fixed under specified conditions.

14           ii.    A prominent statement that the cash values may increase or  
15 decrease according to the investment experience of the separate account.

16          4.     The Examiners reviewed 299 of 19,094 policies processed by the  
17 Company during the time frame of the examination and found as follows:

18          a.     Valley Forge failed to provide 24 applicants for the specific reason  
19 for an adverse underwriting decision or to advise them that upon written request that  
20 they may receive the specific reason in writing.

21          b.     Valley Forge failed to provide 51 applicants with a Summary of  
22 Rights.

23          c.     Valley Forge failed to require its agents to submit a Notice  
24 Regarding the Replacement of Life Insurance with three applications.

25          d.     Valley failed to include a copy of all sales proposals in 99



1 replacement files.

2 e. Valley Forge failed to send a copy of the Notice Regarding the  
3 Replacement of Life Insurance to 51 existing insurers.

4 f. Valley Forge conducted HIV-related tests on three applicants  
5 without obtaining prior consent.

6 5. The Examiners reviewed 73 of 74 claims processed by the Company  
7 during the time frame of the examination and found as follows:

8 a. Valley Forge failed to maintain seven files in such a manner that  
9 pertinent events and the dates of those events could be reconstructed.

10 b. Valley Forge failed to accept or deny four claims within 15 working  
11 days of receipt.

12 c. Valley Forge failed to pay interest on two claims that were not paid  
13 within 30 days of receipt of an acceptable proof of loss.

14 d. Valley Forge failed to use an Authorization for the Release of  
15 Information in connection with seven claims.

16 **CONCLUSIONS OF LAW**

17 1. Valley Forge violated A.R.S. § 20-443(1) and A.A.C. R20-6-211(E)(1)  
18 because it used a "Life Insurance Buyer's Guide" that had not been filed nor approved  
19 by the Director.

20 2. Valley Forge violated A.R.S. § 20-448.01(B) and A.A.C. R20-6-1203(C)  
21 because it used an HIV-related test consent form that had not been filed nor approved  
22 by the Director.

23 3. Valley Forge violated A.R.S. § 20-466.03 by using a claim form that did  
24 not contain a compliant fraud warning statement.

25 4. Valley Forge violated A.R.S. §20-2608(1) because it used an application

1 for variable universal life insurance that failed to contain a prominent statement that the  
2 death benefit may be variable or fixed under specified conditions.

3 5. Valley Forge violated A.R.S. §20-2608(2) by using an application for  
4 variable universal life insurance that failed to contain a prominent statement that the  
5 cash values may increase or decrease according to the investment experience of the  
6 separate account.

7 6. Valley Forge violated A.R.S. §20-2110(A) by:

8 a. Failing to provide applicants with written notice of the specific  
9 reason for an adverse underwriting decision, or to advise the applicant that upon  
10 written request they could receive the specific reason in writing.

11 b. Failing to provide applicants with a Summary of Rights.

12 7. Valley Forge violated A.A.C. R20-6-215(F)(3)(a) by failing to require its  
13 agents to submit a Notice Regarding the Replacement of Life Insurance with the  
14 application and copies of all sales proposals used for presentation to the applicant.

15 8. Valley Forge violated A.A.C. R20-6-215(F)(3)(c) by failing to send a copy  
16 of the Notice Regarding the Replacement of Life Insurance to the existing insurer within  
17 three working days of receipt of the application.

18 9. Valley Forge violated A.R.S. §20-448.01(B) by conducting an HIV-related  
19 test without the written consent of the applicant.

20 10. Valley Forge violated A.A.C. R20-6-801(C) by failing to include in its claim  
21 files all notes and work papers pertaining to the claim in such detail that pertinent  
22 events and the dates of such events can be reconstructed.

23 11. Valley Forge violated A.R.S. §20-461(A)(5) and A.A.C. R20-6-  
24 801(G)(1)(a) by failing to advise first party claimants of the acceptance or denial of a  
25 claim within 15 working days after receipt of an acceptable proof of loss.



1 12. Valley Forge violated A.R.S. §20-462(A) by failing to pay interest on first  
2 party claims that were not paid within 30 days of receipt of an acceptable proof of loss.

3 13. Valley Forge violated A.R.S. §20-2106 by failing to use a compliant  
4 Authorization to Release Claim Information form in connection with a claim for life  
5 insurance benefits.

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

8 **ORDER**

9 **IT IS ORDERED THAT:**

- 10 1. Valley Forge Life Insurance Company shall cease and desist from:
- 11 a. Distributing a "Life Insurance Buyer's Guide" that is not in a form  
12 approved by the Director, and has not been filed.
  - 13 b. Using an HIV-related test consent form that has not been filed nor  
14 approved by the Director.
  - 15 c. Using a claim form that does not contain a compliant fraud warning  
16 notice.
  - 17 d. Using an application for variable universal life insurance that does  
18 not contain a prominent statement that the death benefit may be variable or fixed under  
19 specified conditions.
  - 20 e. Using an application for variable universal life insurance that does  
21 not contain a prominent statement that the cash values may increase or decrease  
22 according to the investment experience of the separate account.
  - 23 f. Failing to provide applicants with the specific reason for an  
24 adverse underwriting decision, or to advise them that upon written request they could  
25 receive the specific reason in writing.

1 g. Failing to provide applicants with a Summary of Rights.

2 h. Failing to require its agents to submit a Notice Regarding the  
3 Replacement of Life Insurance with the application and copies of all sales proposals  
4 used for presentation to the applicant.

5 i. Failing to send a copy of the Notice Regarding the Replacement of  
6 Life Insurance to the existing insurer within three working days of receipt of the  
7 application.

8 j. Failing to obtain written consent from an applicant prior to  
9 conducting an HIV-related test.

10 k. Failing to include in its claim files, all notes and work papers  
11 pertaining to a claim in such detail that pertinent events and the dates of such events  
12 can be reconstructed.

13 l. Failing to advise first party claimants of the acceptance or denial of  
14 a claim within 15 working days of receipt of an acceptable proof of loss.

15 m. Failing to pay interest on claims that are not paid within 30 days of  
16 receipt of an acceptable proof of loss.

17 n. Failing to use a compliant Authorization to Release Claim  
18 Information form.

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





**CONSENT TO ORDER**

1  
2 1. Valley Forge Life Insurance Company has reviewed the foregoing Order.

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

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

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

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

18 6. Robert W. Foster, Jr. who holds the office of Vice President of  
19 Valley Forge Life Insurance Company is authorized to enter into this Order for it and on  
20 its behalf.

21  
22 **VALLEY FORGE LIFE INSURANCE COMPANY**

23 April 25, 2001

24 (Date)

25 By 



1 Copy of the foregoing mailed/delivered  
This 7<sup>th</sup> day of May, 2001, to:

- 2
- 3 Sarah 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 Examination Section  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates and Regulations Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 Nancy House  
18 Chief Financial Examiner  
19 Alexandra Shafer  
20 Assistant Director  
21 Life & Health Division  
22 Terry L. Cooper  
23 Fraud Unit Chief

24  
25 DEPARTMENT OF INSURANCE  
2910 North 44<sup>th</sup> Street, Second Floor  
Phoenix, AZ 85018

Nancy E. Komessar, MCE Coordinator  
Corporate Compliance, 43S  
Valley Forge Life Insurance Company  
CNA Plaza  
Chicago, IL 60685-0001

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22   
Curvey Burton