

STATE OF ARIZONA

OCT 1 2001

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY Kahn

In the Matter of:

SUSAN E. LEE,

Respondent.

No. 01A-225 - INS

CONSENT ORDER

The State of Arizona Department of Insurance ("Department") has received evidence that Susan E. Lee ("Respondent") violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Respondent is and was at all material times licensed to transact disability insurance as a non-resident agent in Arizona, Arizona license number 85920, which license expires December 31, 2002. Respondent first became licensed as a non-resident agent in Arizona effective December 1, 1999.

2. United American Insurance Company ("United American") is and was at all material times authorized to transact life and disability insurance in the State of Arizona pursuant to a Certificate of Authority issued by the Director.

3. Respondent was only authorized to represent United American.

4. From and about January 8, 2000 through February 26, 2000, Respondent sold Medicare Supplement ("Medigap") policies to nine elderly residents of the Prescott, Arizona area. In all nine cases, Respondent replaced the policyholders' existing Medigap plans with a policy that provided fewer benefits while representing that the new policy form provided more benefits.

5. In seven of the cases, Respondent replaced Medigap Plan F policies with Medigap Plan A policies. Medigap Plan A only provides a basic benefit which includes coverage for the Medicare Part A coinsurance, Medicare Part B coinsurance and the first three pints of blood each year. Medigap Plan F provides coverage for the basic benefit and includes coverage for skilled nursing coinsurance, the Part A and Part B deductibles, Part B excess and foreign travel emergency care.

COUNT I

6. On or about January 8, 2000, Respondent sold a Medigap Plan A policy to Laura Despain (“Despain”) underwritten by United American with an effective date of February 1, 2000.

7. Respondent represented on the application that the United American policy was replacing a previous policy underwritten by “Principal.” The United American policy was actually replacing Despain’s Medigap Plan F policy underwritten by American Republic Life Insurance Company (“American Republic”).

8. The application completed by Respondent included a form “provided for the purpose of compliance with regulations regarding the replacement of Medicare Supplement insurance.” The form included a “Statement to Applicant by Issuer or Agent” that contained the following statements: “I have reviewed your current medical or health insurance coverage;” and, “The replacement coverage is being purchased for the following reason(s):” Respondent checked the line for “Additional benefits”. Respondent signed this form on January 8, 2000.

9. Respondent represented to Despain that the United American Medigap Plan A policy benefits were better than those under Despain's current Medigap Plan F policy.

10. On January 27, 2000, upon discovering that the United American Plan A policy benefits were more limited than those of the American Republic Plan F policy, Despain requested a

1 cancellation of the United American policy and a full premium refund. United American cancelled the
2 policy retroactive to the policy effective date and refunded all premium payments.

3 **COUNT II**

4 11. On or about January 11, 2000, Respondent sold a Medigap Plan A policy to Bernice
5 Albrecht ("Albrecht") underwritten by United American with an effective date of February 1, 2000.

6 12. Respondent represented on the application that the United American policy was
7 replacing a previous Medicare Risk Plan underwritten by "Premier." The United American policy was
8 actually replacing Albrecht's Medigap Plan F policy underwritten by American Republic.

9 13. The application completed by Respondent included a form "provided for the purpose of
10 compliance with regulations regarding the replacement of Medicare Supplement insurance." The form
11 included a "Statement to Applicant by Issuer or Agent" that contained the following statements: "I have
12 reviewed your current medical or health insurance coverage;" and, "The replacement coverage is being
13 purchased for the following reason(s):" Respondent checked the line for "Other, (please specify)" and
14 wrote in "Premier". Respondent signed this form on January 11, 2000.

15 14. Respondent represented to Albrecht that the United American Medigap Plan A policy
16 benefits were equal to those of Albrecht's current Medigap Plan F policy.

17 15. On February 14, 2000, upon discovering that the United American Plan A policy
18 benefits were more limited than those of the American Republic Plan F policy, Albrecht requested a
19 cancellation of the United American policy and a full premium refund. United American cancelled the
20 policy retroactive to the policy effective date and refunded all premium payments.

21 **COUNT III**

22 16. On or about January 11, 2000, Respondent sold Medigap Plan A policies to Lois and
23 Carl Buck ("the Bucks") underwritten by United American with effective dates of February 1, 2000.
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1 17. The United American policies written by Respondent were replacements for the Bucks'
2 Medigap Plan F policies underwritten by American Republic.

3 18. The applications completed by Respondent for the Bucks both included a form
4 "provided for the purpose of compliance with regulations regarding the replacement of Medicare
5 Supplement insurance." The form included a "Statement to Applicant by Issuer or Agent" that
6 contained the following statements: "I have reviewed your current medical or health insurance
7 coverage;" and, "The replacement coverage is being purchased for the following reason(s):".
8 Respondent checked the line for "Additional benefits" on both forms for the Bucks. The statements
9 were both signed by Respondent on January 11, 2000.

10 19. Respondent represented to the Bucks that the United American Medigap Plan A policy
11 benefits were the same as those of the Bucks' current Medigap Plan F policies.

12 20. On February 14, 2000, upon discovering that the United American Plan A policy
13 benefits were more limited than those of the American Republic Plan F policy, the Bucks' requested
14 cancellation of their United American policies and full premium refunds. United American cancelled
15 the policies retroactive to the policy effective date and refunded all premium payments.

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COUNT IV

21. On or about February 26, 2000, Respondent sold Medigap Plan A policies to Evelyn and Carlos Nichols ("the Nichols") underwritten by United American with effective dates of March 1, 2000.

22. The United American policies written by Respondent were replacements for the Nichols' Medigap Plan F policies underwritten by American Republic.

23. The applications completed by Respondent for the Nichols both included a form "provided for the purpose of compliance with regulations regarding the replacement of Medicare Supplement insurance." The forms included a "Statement to Applicant by Issuer or Agent" that contained the following statements: "I have reviewed your current medical or health insurance coverage;" and, "The replacement coverage is being purchased for the following reason(s):". Respondent checked the line for "Additional benefits" on both forms. Respondent signed this form on February 26, 2000.

24. Respondent represented to the Nichols that the United American Medigap Plan A policy benefits were the same as those under the Nichols' current Medigap Plan F policies.

25. On March 14, 2000, upon discovering that the United American Plan A policy benefits were more limited than those of the American Republic Plan F policy, the Nichols requested cancellation of their United American policies and full premium refunds. United American cancelled the policies retroactive to the policy effective date and refunded all premium payments.

COUNT V

26. On or about January 29, 2000, Respondent sold a Medigap Plan A policy to Helen Horkey ("Horkey") underwritten by United American with an effective date of March 1, 2000.

27. Respondent represented on the application that the United American policy was replacing a previous Medicare Risk Plan underwritten by “Premier.” The United American policy was actually replacing Horkey’s Medigap Plan F policy underwritten by American Republic.

28. The application completed by Respondent included a form “provided for the purpose of compliance with regulations regarding the replacement of Medicare Supplement insurance.” The form included a “Statement to Applicant by Issuer or Agent” that contained the following statements: “I have reviewed your current medical or health insurance coverage;” and, “The replacement coverage is being purchased for the following reason(s):” Respondent checked the line for “Other, (please specify)” and wrote in “Premier”. Respondent signed this form on January 29, 2000.

29. Respondent represented to Horkey that the United American Medigap Plan A policy benefits were equal to those of Horkey's current Medigap Plan F policy.

30. Although Horeky had a history of cancer that she disclosed to Respondent, Respondent checked “No” to the question on the application asking the applicant “within the past year, have you been diagnosed or treated for internal cancer?” Respondent represented to Horkey that United American was extending coverage to seniors without requiring that they medically qualify for the coverage.

31. On March 1, 2000, upon discovering that the United American Plan A policy benefits were more limited than those of the American Republic Plan F policy, Horkey requested a cancellation of the United American policy and a full premium refund. United American cancelled the policy retroactive to the policy effective date and refunded all premium payments.

COUNT VI

32. On or about January 31, 2000, Respondent sold a Medigap Plan B policy to Irene Dunn and

1 a Plan G policy to Clyde Dunn (the Dunns). Both policies were underwritten by United American with
2 effective dates of March 1, 2000.

3 33. Respondent represented on the applications that the United American policies were
4 replacing previous Medicare Risk Plans underwritten by "Premier." The United American policies
5 were actually replacing the Dunn's Medigap Plan F policies underwritten by American Republic.

6 34. The applications completed by Respondent included forms "provided for the purpose of
7 compliance with regulations regarding the replacement of Medicare Supplement insurance." The forms
8 included a "Statement to Applicant by Issuer or Agent" that contained the following statements: "I have
9 reviewed your current medical or health insurance coverage;" and, "The replacement coverage is being
10 purchased for the following reason(s):". Respondent checked the line for "Other, (please specify)" and
11 wrote in "Premier" on both forms. The forms were signed by Respondent on January 30, 2000.

12 35. Respondent represented to the Dunns that the United American Medigap Plans B and G
13 policy benefits were better than those of the Dunn's current Medigap Plan F policies. Medigap Plan F
14 provides coverage for the basic benefit (which includes coverage for the Medicare Part A coinsurance,
15 Medicare Part B coinsurance and the first three pints of blood each year) and coverage for skilled
16 nursing coinsurance, the Part A and Part B deductibles, Part B excess and foreign travel emergency
17 care. Medigap Plan B policies only provide coverage for the basic benefit and the Part A deductible.
18 The Medigap Plan G is similar to the Medigap Plan F policy but excludes coverage for the Part B
19 deductible and adds coverage for at-home recovery care.

20 37. On February 14, 2000, upon discovering that the United American policy benefits were
21 more limited than those of the American Republic Plan F policy, the Dunns requested cancellation of
22 the United American policies and full premium refunds. United American cancelled the policies
23 retroactive to the policy effective date and refunded all premium payments.
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CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter.

2. Respondent's conduct constitutes wilful violation of, or wilful noncompliance with, any provision of this title, or any lawful rule, regulation or order of the director, within the meaning of A.R.S. §20-316(A)(2).

3. Respondent's conduct constitutes conduct of affairs under the license showing the licensee to be incompetent or a source of injury and loss to, or repeated complaint by, the public or any insurer, within the meaning of A.R.S. §20-316(A)(7).

4. Respondent's conduct constitutes misrepresentation of the terms of any policy issued or to be issued or the benefits or advantages promised to be received, within the meaning of A.R.S. §20-443 (1).

5. Respondent's conduct constitutes making any misrepresentation to any policyholder for the purpose of inducing or tending to induce the policyholder to lapse, forfeit, surrender, retain or convert any insurance policy, within the meaning of A.R.S. §20-443 (5).

6. Grounds exist for the Director to suspend, revoke, or refuse to renew Respondent's adjuster's license, impose a civil penalty upon him and/or order restitution pursuant to A.R.S. §§20-316(A) and 20-316(C) and 20-456.

ORDER

IT IS HEREBY ORDERED THAT Respondent's license is revoked effective immediately upon entry of this Order.

DATED AND EFFECTIVE this 28th day of September, 2001.



CHARLES R. COHEN
Director of Insurance

SEP 27 2001

DIRECTOR'S OFFICE
INSURANCE DEPT.**CONSENT TO ORDER**

1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law and Order.


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

3. Respondent is aware of her right to notice and a hearing at which she may be represented by counsel, present evidence and examine witnesses. Respondent irrevocably waives her right to such notice and hearing and to any court appeals relating to this Consent Order.

4. Respondent states that no promise of any kind or nature whatsoever, except as expressly contained in this Consent Order, was made to her to induce her to enter into this Consent Order and that she has entered into this Consent Order voluntarily.

5. Respondent acknowledges that the acceptance of this Consent Order by the Director is solely to settle this matter against her and does not preclude any other agency, officer, or subdivision of this state from instituting civil or criminal proceedings as may be appropriate now or in the future.

9/22/01
Date

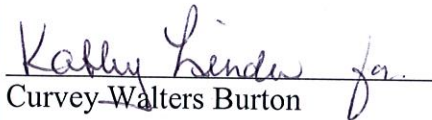

Susan E. Lee
License Number 85920

COPIES of the foregoing mailed/delivered
this 1st day of October, 2001, to:

Susan E. Lee
United American Insurance Company
5000 W. Oakey Blvd., #A6
Las Vegas, NV 89146

1 United American Insurance Company
3700 South Stonebridge Drive, P. O. Box 8080
2 McKinney, TX 75070

3 Sara M. Begley, Deputy Director
Gerrie L. Marks, Executive Assistant for Regulatory Affairs
4 Mary Butterfield, Assistant Director
Catherine M. O'Neil, Consumer Legal Affairs Officer
5 Scott Greenberg, Chief Operating Officer
David L. Ulrich, Investigator
6 Department of Insurance
2910 North 44th Street, Suite 210
7 Phoenix, Arizona 85018

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Curvey-Walters Burton