STATE OF ARIZONA

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STATE OF ARIZONA

DEPT. OF INSURANCE BY_____

DEDARTMENT OF INCURANCE

DEPARTMENT OF INSURANCE

In the Matter of:

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY.

NAIC #70025

Respondent

Docket No. 01A-297-INS
CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of General Electric Capital Assurance Company (General Electric). The Report of Examination of the Market Conduct Affairs of General Electric alleges that General Electric has violated A.R.S. §§20-461, 20-466.03, 20-1110 and A.A.C. R20-6-801, R20-6-1007 and R20-6-1014.

General Electric 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

- General Electric 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 General Electric. The on-site examination covered the time period from January 1, 1999 through December 31, 2000, and was concluded on July 19, 2001. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of General Electric Capital Assurance Company", dated July 19, 2001.

- 3. General Electric utilized 19 claim forms that failed to contain the fraud warning language required in A.R.S. §20-466.03.
- 4. General Electric circulated ten long-term care advertising forms that were not filed with the Director prior to use.
- 5. The Examiners reviewed 50 of 251 external long-term care replacements processed by the Company during the time frame of the examination and found that General Electric failed, on 15 replacements, to notify the existing insurer of the proposed replacement within five working days of receipt of the application.
- 6. The Examiners reviewed 244 of 698 long-term care, accidental death & dismemberment and annuity death claims that were processed by the Company during the time frame of the examination and found as follows:
- a. General Electric failed to notify 35 first party claimants of acceptance or denial of a claim within 15 working days of receipt.
- b. General Electric failed to pay interest on six claims that were not paid within 30 days of receipt of an acceptable proof of loss. Six claimants were underpaid \$263.52. General Electric has paid the six claimants \$263.52.

CONCLUSIONS OF LAW

- 1. General Electric violated A.R.S. §20-466.03 by utilizing claims forms that failed to contain the required fraud warning statement.
- 2. General Electric violated A.R.S. §20-1110(E) and A.A.C. R20-6-1014 by failing to file advertising forms with the Director.
- 3. General Electric violated A.A.C. R20-6-1007(E) by failing, on long-term care replacements, to notify the existing insurer of the proposed replacement within five working days from the date that the Company received the application.

- 4. General Electric violated A.R.S. §20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a) by failing to notify insureds of the acceptance or denial of claims within 15 working days after receipt of properly executed proof of loss.
- 5. Grounds exist for the entry of the following Order, in accordance with A.R.S. §§ 20-220, 20-456 and 20-1691.07.

ORDER

IT IS ORDERED THAT:

- General Electric shall cease and desist from:
- a. Failing to use claim forms that contain the required fraud warning language.
 - b. Failing to file long-term care advertising forms with the Director.
- c. Failing to notify the existing insurer of the proposed replacement of long-term care insurance within five working days from the date that the Company receives the application.
- d. Failing to notify insureds of the acceptance or denial of claims within 15 working days after receipt of properly executed proof of loss.
- 2. Within 90 days of the filed date of this Order, General Electric shall submit to the Department, for approval, evidence that corrections have been implemented and communicated to the appropriate personnel, regarding all of the items listed in Paragraph 1 of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes but is not limited to memos, bulletins, E-mails, correspondence, procedures manuals, print screens and training materials.
- 3. The Department shall be permitted, through authorized representatives, to verify that General Electric has complied with all provisions of this Order.

- **4.** General Electric shall pay a civil penalty of \$9,000 to the Director for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil penalty shall be provided to the Market Conduct Examinations Section of the Department prior to the filing of this Order.
- 5. The Report of Examination of the Market Conduct Affairs of General Electric Capital Assurance Company dated July 19, 2001, including the letter submitted in response to the Report of Examination, shall be filed with the Department after the Director has filed this Order.

DATED at Phoenix, Arizona this day of Decamber, 2001.

, ____

Charles R. Cohen Director of Insurance

CONSENT TO ORDER

- General Electric Capital Assurance Company has reviewed the foregoing 1. Order.
- General Electric Capital Assurance Company admits the jurisdiction of 2. 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.
- General Electric Capital Assurance Company is aware of its right to a 3. hearing, at which it may be represented by counsel, present evidence and crossexamine witnesses. General Electric Capital Assurance Company irrevocably waives its right to such notice and hearing and to any court appeals related to this Order.
- General Electric Capital Assurance Company states that no promise of 4. any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.
- General Electric Capital Assurance Company acknowledges that the 5. acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or its subdivisions or any other person from any other civil or criminal proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6.	David H.	McMahon	who	holds	41	· · ·		
Asisstant	Secretary	,				office		
THE FOOT GITT	occi e i ai y	of General Electric	Capital	Assura	nce C	ompany	, is	
authorized to enter into this Order for it and on its behalf.								
GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY								

By: David H. MSMal December 19, 2001 Date

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1	COPY of the foregoing mailed/delivered
2	This 28th day of December 2001, to:
3	Sara Begley
4	Deputy Director Paul J. Hogan
5	Chief Market Conduct Examiner
6	Market Conduct Examinations Division Mary Butterfield
7	Assistant Director Consumer Affairs Division
8	Deloris E. Williamson Assistant Director
9	Rates & Regulations Division Alexandra Shafer
10	Assistant Director Life and Health Division
11	Steve Ferguson Assistant Director
12	Financial Affairs Division
13	Nancy Howse Chief Financial Examiner
14	Terry Cooper Manager
15	Fraud Unit
16	DEPARTMENT OF INSURANCE
17	2910 North 44th Street, Second Floor Phoenix, AZ 85018
18	
19	Robert J. Bowen
20	Vice President and Associate General Counsel GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY
21	700 Main Street, P.O. Box 1280 Lynchburg, Virginia 24505-1280
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23	
24	usney Duston