

MAY 22 2006

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:) Docket No. 06A-078-INS
)
HEALTH NET LIFE INSURANCE COMPANY)
NAIC # 66141;) CONSENT ORDER
)
)
Respondent.)

Examiners for the Department of Insurance (the "Department") conducted a compliance examination ("Examination") of Health Net Life Insurance Company ("HNL") covering the time period from July 14, 2003 through November 30, 2003. The Report of the Consent Examination of HNL dated September 1, 2004 ("Report"), which is included herein by reference, alleges that HNL violated A.R.S. §§ 142(A) and (B). HNL wishes to resolve this matter without formal proceedings. HNL admits the following Findings of Fact are true solely for purposes of resolving the allegations contained in the Report. HNL consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. HNL is authorized to operate as a disability insurer pursuant to a Certificate of Authority issued by the Director.
2. On July 14, 2003, the Department filed a Consent Order dated July 14, 2003 between the Department and HNL (the "Previous Consent Order") in which HNL agreed to implement four Corrective Action Plans ("CAPs 1, 2, 3 and 4"). Based on the Examination, the Department determined that:
 - A. HNL failed to comply with CAP 1 of the Previous Consent Order. HNL made progress toward the deficiency corrections required in CAP 1.

1 B. HNL failed to timely comply with CAP 3 of the Previous Consent Order. HNL
2 subsequently complied with CAP 3.

3 **CONCLUSIONS OF LAW**

4 1. The Previous Consent Order is a lawful order of the Director. The Director has the
5 authority to enforce any lawful order. A.R.S. §§ 20-142(A) and (B).

6 2. Violations of A.R.S. §§ 20-142(A) and (B).

7 A. HNL's failure to comply with CAP 1 of the Previous Consent Order
8 constitutes a violation of A.R.S. §§ 20-142(A) and (B).

9 B. HNL's failure to timely comply with Cap 3 of the Previous Consent Order
10 constitutes a violation of A.R.S. §§ 20-142(A) and (B).

11 3. The Director has grounds to impose a civil penalty on HNL for these violations
12 pursuant to A.R.S. § 20-1065(E).

13 **ORDER**

14 **IT IS HEREBY ORDERED THAT:**

15 1. On the 15th day of each month, beginning June 15, 2006 HNL shall submit to the
16 Department for the Director's review information adequate to allow the Department to
17 determine whether HNL has complied with CAP 1 of the Previous Consent Order, specifically:

18 a. Whether HNL pends no less than ninety-five percent (95%) of unclean
19 claims before requesting additional information rather than denying such claims. Unless
20 permitted otherwise by the Director in advance in writing, the information that HNL submits to
21 the Director under this subsection of this Consent Order shall include, without limitation, the
22 following data for the previous calendar month:

23 i. The number of claims that HNL denied because the claims
24 were not clean and

25 ii. The number of claims that HNL pended because the claims were
not clean.

1 b. Whether, when it receives additional information, HNL links the additional
2 information to the pending, unclean claim (the "pending claim") no less than ninety-five percent
3 (95%) of the time. In this Consent Order, the term "additional Information" includes duplicate
4 claims that contain information that HNL has requested in order to adjudicate an unclean claim.
5 Unless permitted otherwise by the Director in advance in writing, the information that HNL
6 submits to the Director under this subsection of this Consent Order shall include without
7 limitation the following data for the previous calendar month:

8 i. The number of pending claims that HNL failed to adjudicate after
9 it received additional information that related to the pending claims, and

10 ii. The number of pending claims that HNL adjudicated after it
11 received additional information that related to the pending claims .

12 c. Whether HNL auto denies no less than ninety-five percent (95%) of pending
13 claims with regard to which it has not received additional information in a designated,
14 reasonable number of days. Unless permitted otherwise by the Director in advance in writing,
15 the information that HNL submits to the Director under this subsection of this Consent Order
16 shall include without limitation the following data for the previous calendar month:

17 i. The number of pending claims that HNL failed to auto deny when
18 it did not receive additional information, and

19 ii. The number of pending claims that HNL auto denied when it did
20 not receive additional information.

21 2. In this Consent Order, the terms "auto deny" or "auto denied" refer to a process by
22 which HNL denies claims it pending in order to request additional information when it has not
23 received the additional information in a designated, reasonable number of days.

24 3. The data described above shall include the required information for professional,
25 outpatient and inpatient claims that HNL received on or after January 1, 2006.

 4. HNL shall continue the monthly submissions described in Order No.1 until the

1 Director determines from the submitted information that HNL has complied with CAP 1 of the
2 Previous Consent Order for six months in a row, and notifies HNL of that determination in
3 writing.

4 5. HNL shall make no objection to the Department using examiners or other
5 authorized representatives to verify that HNL has complied with all provisions of this Order.

6 6. HNL shall pay a civil penalty of \$2,000 to the Director for deposit in the State
7 General Fund for violating a lawful order of the Director. HNL shall pay this penalty at the time
8 it signs and returns this Consent Order to the Director.

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10 Upon receiving this signed Consent Order and penalty payment from HNL, the Director shall
11 file the Consent Order, along with the Report and HNL's response to the Report, if any.

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13 DATED at Phoenix, Arizona this 19th day of May, 2006.

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16 Christina Urias
17 Director of Insurance

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1 **CONSENT TO ORDER**

2 1. HNL has reviewed the foregoing Order.

3 2. HNL admits the jurisdiction of the Director of Insurance, State of Arizona,
4 admits the following Findings of Fact are true solely for purposes of resolving the allegations
5 contained in the Report and consents to the entry of the Conclusions of Law and Order.

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

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

12 5. HNL acknowledges that the acceptance of this Order by the Director of the
13 Arizona Department of Insurance is solely for the purpose of settling this matter and does not
14 preclude any other agency or officer of this state or its subdivisions or any other person from
15 instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or
16 in the future and does nor preclude this agency from instituting proceedings not related to this
17 matter as may be appropriate now or in the future.

18 6. Jerry Coil, who holds the office of President of HNL, is authorized to enter into
19 this Order for it and on its behalf.

20 **HEALTH NET LIFE INSURANCE COMPANY OF**

21
22 May 11, '06 By Jerry V Coil
23 Date

1 **COPY of the foregoing mailed/delivered**
2 **this 22nd day of May, 2006, to:**

3 Gerrie Marks

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

Paul J. Hogan

6 Division Chief

Market Oversight Division

7 Dean Ehler

Assistant Director

8 Property & Casualty Division

Steve Ferguson

9 Assistant Director

Financial Affairs Division

10 Alan Griffith

Chief Financial Examiner

11 Financial Affairs Division

Alexandra Shafer

12 Assistant Director

Life and Health Division

13 Terry L. Cooper

Unit Chief

14 Fraud Unit

15 DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210

16 Phoenix, AZ 85018

17 Jerry Coil, President

HEALTH NET LIFE INSURANCE COMPANY

18 503 Canal Boulevard

Point Richmond, California 94804

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