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STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

**GUARANTEE TRUST LIFE INSURANCE  
COMPANY,**  
NAIC # 64211,

Respondent

) Docket No. 09A-142-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance ("the Department") conducted a targeted market conduct examination of Guarantee Trust Life Insurance Company ("the Company"). The Report of Targeted Examination of Guarantee Trust Life Insurance Company, dated as of December 31, 2007, ("the Report") alleges that the Company has violated Arizona Revised Statutes ("A.R.S.") §§ 20-448(B), 20-461(A)(1), (3), (4) and (15), 20-462(A), 20-2533(D), and 20-2536(A), and Arizona Administrative Code ("A.A.C.") R20-6-801(D)(1), (F), and (G)(1)(a).

The Company 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. The Company is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.
2. The Director authorized the Examiners to conduct a targeted market conduct examination of the Company. The examination covered the time period from January 1, 2007, through December 31, 2007, and concluded on June 30, 2009.

1 Based on the examination findings, the Examiners prepared the Report, dated  
2 December 31, 2007.

3 3. The Company used four claims processing systems during the  
4 examination period:

- 5 a. Home Office ("HO")
- 6 b. Insurers Administrative Corporation ("IAC")
- 7 c. Allied National Corporation ("ANC")
- 8 d. First Administrators ("FA")

9 4. The Company denied claims without conducting a timely and reasonable  
10 investigation:

11 a. In HO claims filed under policy number GC-1200 before October 1,  
12 2007, for physical therapy, although the policy did not exclude coverage for  
13 these services;

14 b. In eight (24%) of 34 HO claims using Reason Code LT, which  
15 provided a letter sent on or after the date of denial requesting additional  
16 information to consider the claim;

17 c. In the case of HO claims with multiple diagnosis codes by  
18 considering only one of multiple diagnoses listed on the original claim in  
19 determining whether to deny the claims for preexisting conditions; and

20 d. In 11 (24%) of 45 IAC claims denied using Reason Codes 17  
21 and/or 21.

22 4. After the Company determined that policy GC-1200 did not exclude  
23 benefits for physical therapy, the Company began to pay claims for these services  
24 going forward on and after October 1, 2007, but did not reconsider any claims denied  
25 prior to that date.



1           2.     The Company violated A.R.S. § 20-448(B) by unfairly discriminating  
2 against insureds who filed claims for physical therapy before October 1, 2007, where  
3 the policy form GC-1200 did not exclude coverage for physical therapy, and although  
4 the Company paid similar claims filed on and after that date.

5           3.     The Company violated A.R.S. §§ 20-461(A)(1) and 20-2533(D) by failing  
6 to:

7                 a.     Prominently display the notice of the right to appeal on its EOBs;  
8 and

9                 b.     Provide accurate information regarding the available levels of  
10 appeal.

11          4.     The Company violated A.R.S. §§ 20-461(A)(1) and 20-2536(A) by  
12 misstating the time limit for filing a first level appeal.

13          5.     The Company violated A.R.S. § 20-461(A)(1) and A.A.C. R20-6-801(D)(1)  
14 by failing to provide correct information regarding the name of the issuing insurer.

15          6.     The Company violated A.R.S. § 20-461(A)(15) and A.A.C. R20-6-  
16 801(G)(1)(a) by failing to provide a reasonable explanation for the denial of claims.

17          7.     The Company violated A.R.S. § 20-462(A) by failing to pay the correct  
18 interest to insureds on first party claims not paid within 30 days of receipt of acceptable  
19 proofs of loss.

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1 ORDER

2 **IT IS ORDERED THAT:**

- 3 1. Guarantee Trust Life Insurance Company shall cease and desist from:
- 4 a. failing to perform a timely and reasonable investigation prior to
- 5 denying claims;
- 6 b. unfairly discriminating among policyholders of like risk in the benefits
- 7 payable an insurance policy or contract;
- 8 c. failing to prominently display the notice of the right to appeal on its
- 9 EOB forms and denial letters;
- 10 d. failing to provide accurate information concerning the appeal process,
- 11 including but not limited to the time limits for filing appeals and the levels of appeal
- 12 available;
- 13 e. failing to provide the correct name of the issuing insurer on all forms
- 14 and correspondences related to the policy and/or claim;
- 15 f. failing to provide a prompt and reasonable explanation for all claim
- 16 denials; and
- 17 g. failing to pay the correct amount of interest to insureds on first-party
- 18 claims not paid within 30 days of receipt of acceptable proofs of loss.

- 19 2. Within 180 days of filed date of this Order, the Company shall:
- 20 a. Perform a self-audit of all HO claims involving multiple diagnoses
- 21 denied for preexisting conditions during the three years prior to the date of the Report
- 22 to determine whether other claims denied as preexisting have been denied
- 23 inappropriately;
- 24 b. Perform a self-audit of all HO physical therapy claims denied under
- 25 policy form GC-1200 during the two years prior to October 1, 2007, to determine

1 whether other physical therapy claims had been denied inappropriately and without  
2 adequate investigation due to the fact that physical therapy services were covered  
3 under the policy;

4 c. Perform a self-audit of all IAC claims denied under Reason codes 17  
5 and 21 during the three years prior to the date of the Report to determine whether  
6 other claims denied under Reason codes 17 and 21 have been denied inappropriately  
7 and without adequate investigation due to the fact that the covered services were  
8 provided along with services that were not covered under the policy;

9 d. Reprocess all claims identified by the self-audit as having been denied  
10 incorrectly;

11 e. For all reprocessed claims, pay restitution to the insured with interest  
12 at the legal rate of 10% starting with the date of receipt of the original claim through the  
13 date of payment; and

14 f. With each such payment, provide to the insured a letter, approved in  
15 advance by the Department, stating that an audit of claims following an examination by  
16 the Arizona Department of Insurance had resulted in the identification and correction of  
17 the previous denial.


18 3. Within 90 days of the filed date of this Order, the Company shall submit to  
19 the Arizona Department of Insurance, for approval, evidence that corrections have  
20 been implemented and communicated to the appropriate personnel, regarding all of the  
21 items listed above in Paragraph 1 of the Order section of this Consent Order. Evidence  
22 of corrective action includes but is not limited to memos, bulletins, emails,  
23 correspondence, procedures manuals, print screens and training materials.

24 4. The Department shall, through authorized representatives, verify that The  
25 Company has complied with all provisions of this Order.

1           5.     The Company shall pay a civil penalty of \$38,000.00 to the Director for  
2 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil  
3 penalty shall be provided to the Market Conduct Examinations Section of the  
4 Department prior to the filing of this Order.

5           6.     The Report of Examination of the Market Conduct Affairs of Guarantee  
6 Trust Life Insurance Company dated December 31, 2007, including the letter submitted  
7 in response to the Report of Examination, shall be filed with the Department after the  
8 Director has filed this Order.

9  
10 DATED in Arizona this 20<sup>th</sup> day of November, 2009.

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14 Christina Urias  
15 Director of Insurance  
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1 CONSENT TO ORDER

2 1. Guarantee Trust Life Insurance Company has reviewed the foregoing  
3 Order.

4 2. Guarantee Trust Life Insurance Company admits the jurisdiction of the  
5 Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and  
6 consents to the entry of the Conclusions of Law and Order.

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

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

14 5. Guarantee Trust Life Insurance Company acknowledges that the  
15 acceptance of this Order by the Director of Insurance, State of Arizona, is solely to  
16 settle this matter against it and does not preclude any other agency or officer of this  
17 state or its subdivisions or any other person from any other civil or criminal  
18 proceedings, whether civil, criminal, or administrative, as may be appropriate now or in  
19 the future.

20 6. Richard S. Holson, III, who holds the office of  
21 President of Guarantee Trust Life Insurance Company, is  
22 authorized to enter into this Order for it and on its behalf.

23  
24 Nov. 16, 2009  
25 Date

GUARANTEE TRUST LIFE INSURANCE COMPANY

By: 



1 COPY of the foregoing mailed/delivered  
2 this 23rd day of November , 2009, to:

3 Gerrie Marks  
4 Deputy Director  
5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division  
8 Helene I. Tomme  
9 Market Examinations Supervisor  
10 Market Oversight Division  
11 Dean Ehler  
12 Assistant Director  
13 Property and Casualty Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 David Lee  
18 Chief Financial Examiner  
19 Alexandra Shafer  
20 Assistant Director  
21 Life and Health Division  
22 Chuck Gregory  
23 Special Agent Supervisor  
24 Investigations Division

25 DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
Phoenix, AZ 85018

Theresa A. Tyc  
Director, Product Approval and Compliance  
Guarantee Trust Life Insurance Company  
1275 Milwaukee Ave.  
Glenview, IL 60025

