

STATE OF ARIZONA  
FILED

NOV 18 2013

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

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BY [Signature]

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In the Matter of:

**AETNA LIFE INSURANCE COMPANY,**

NAIC # 60054,

Respondent

Docket No. 13A-133-INS

**CONSENT ORDER**

Examiners for the Department of Insurance ("the Department") conducted a targeted market conduct examination of Aetna Life Insurance Company ("ALIC" or "the Company"). The Report of Targeted Examination of Aetna Life Insurance Company, dated as of December 31, 2009, ("the Report") alleges that the Company has violated Arizona Revised Statutes ("A.R.S.") §§ 20-443, 20-444, 20-461(A)(1), (2), (3), (4), (5), (9), (15) and (17), 20-462(A), 20-1110(E), 20-1342(A)(1), 20-1401.01, 20-1402(A)(2), 20-1404(E), 20-2104(B)(1)(b), 20-2106, 20-2110(A), 20-2304(C), 20-2309, 20-2323, 20-2533(D), 20-2535(A), 20-2536(A), (E)(2), and (G), and 20-3102(A) and (B), and Arizona Administrative Code ("A.A.C.") R20-6-201, R20-6-801(D)(1), (E)(1), (F), and (G)(1)(a), as well as Arizona case law established by *Allstate Ins. Co. v. Druke*, 118 Ariz. 301, 576 P.2d 489 (1978).

The Company wishes to resolve this matter without formal proceedings, admits the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

1 FINDINGS OF FACT

2 1. ALIC, a Connecticut-domiciled company, is authorized to transact life and  
3 disability insurance in Arizona pursuant to a Certificate of Authority issued by the  
4 Director.

5 2. The Director authorized the Examiners to conduct a targeted market  
6 conduct examination of the Company. The examination covered the time period from  
7 January 1, 2009, through December 31, 2009, and was concluded on September 17,  
8 2012. Based on the examination findings, the Examiners prepared the Report, dated  
9 December 31, 2009.

10 3. The Company failed to file 24 individual medical print ads with the  
11 Department prior to their use.

12 4. The Company used marketing materials, advertising and sales scripts  
13 that:

14 a. Failed to identify policy exclusions and limitations for specific benefits  
15 referenced in the advertising, including exclusions for preexisting conditions;

16 b. Used misleading statements comparing individual medical coverage  
17 to COBRA;

18 c. Made unsupported and undocumented statements regarding the  
19 Company's relative position in the insurance industry;

20 d. Failed to identify the source of statistics and contained misleading  
21 statements about the time in which claims are processed;

22 e. Provided a "testimonial" that implied that preexisting chronic  
23 conditions are covered, despite policy exclusions and limitations for preexisting  
24 conditions;

1 f. Provided inaccurate, incorrect and misleading descriptions of benefits  
2 when compared to the pertinent master group policies;

3 g. Contained an incorrect statement that chiropractic services are  
4 excluded from coverage by the Student Health plan.

5 5. The Company failed to provide employers and certificate holders the  
6 required disclosure forms to that contained all statutorily required content.

7 6. The Company used policy forms that:

8 a. Contained exclusions of benefits for treatment provided by  
9 chiropractic physicians;

10 b. Failed to express the entire money or other consideration for the  
11 coverage;

12 c. Failed to include in certificates of coverage all of the essential features  
13 of the coverage in summary form;

14 d. Asserted the right of the Company to subrogate claims;

15 e. Included disclosure authorization forms for disability insurance that  
16 were not limited to 30 months and did not contain all of the statutorily required content  
17 for such forms;

18 f. Failed to include the notice that states "Notice: This certificate of  
19 insurance may not provide all benefits and protections provided by law in Arizona.  
20 Please read this certificate carefully" on certificates of coverage for policies issued  
21 outside Arizona.

22 7. The Company failed to provide all applicants with the Notice of Insurance  
23 Information Practices at the time personal information was requested during the  
24 underwriting process from a party other than the applicant.

1           8.    The Company failed to provide a Summary of Rights to all applicants at  
2 the time the adverse underwriting decision was communicated.

3           9.    In processing claims from Arizona residents, the Company:

4               a. Failed to acknowledge claims from insureds within 10 working days of  
5 receipt of the claim;

6               b. Failed to accept or deny claims received from or payable to the  
7 insured within 15 working days of receipt of the claim;

8               c. Failed to adjudicate claims received from providers within 30 days of  
9 receipt of a clean claim;

10              d. Failed to provide a reasonable explanation for the denial of claims;

11              e. Failed to pay or deny benefits in accordance with policy provisions;

12              f. Attempted to settle claims for amounts less than a reasonable person  
13 would expect by reference to written or printed advertising material;

14              g. Failed to pay claims in accordance with a state mandate concerning  
15 newborn benefits;

16              h. Failed to perform a reasonable investigation before denying claims  
17 submitted by both insureds and/or providers;

18              i. Failed to pay the correct interest at the legal rate on claims submitted  
19 by or payable to insureds and not paid within 30 days from the receipt of acceptable  
20 proofs of loss; and

21              j. Failed to pay the correct interest at the legal rate on claims submitted  
22 by and payable to providers and not paid within 30 days from the date of adjudication  
23 of a clean claims.

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- 1           10. With regard to appeal forms and procedures, the Company:
- 2               a. Misstated Arizona appeal rights in numerous policy and claim
- 3 documents in use during the examination period;
- 4               b. Failed to allow a treating provider to file an appeal on behalf of a
- 5 member;
- 6               c. Failed to provide the criteria used and clinical reasons for an appeal
- 7 decision; and
- 8               d. Failed to provide the required notice at the conclusions of a formal
- 9 appeal of the right to proceed to an external independent review.

10           11. The Company failed to include in the renewal notice for group coverage

11 an explanation of the extent to which the increase in premium was due to the actual or

12 expected claims experience of the individuals covered under the plan.

13

14                                           **CONCLUSIONS OF LAW**

15           1. The Company violated A.R.S. § 20-1110(E) by failing to file its advertising

16 with the Department prior to their use.

17           2. The Company violated A.R.S. §§ 20-443, 20-444 and 20-461(A)(17) and

18 A.A.C. R20-6-201 by using noncomplying marketing materials, advertising, and sales

19 scripts that failed to provide required information, misstated benefits, and/or made

20 unsubstantiated claims about the Company's products, operations, and/or relative

21 strength and experience.

22           3. The Company violated A.R.S. §§ 20-2304(C) and 20-2323 by failing to

23 provide the required disclosure forms to employers and certificate holders.

24           4. The Company violated A.R.S. § 20-461(A)(17) by issuing policy forms

25 that exclude coverage for chiropractors.

1           5.     The Company violated A.R.S. § 20-1342(A)(1) by issuing an Individual  
2 Medical policy that failed to express the entire money or other consideration for the  
3 coverage.

4           6.     The Company violated A.R.S. § 20-1402(A)(2) by failing to include in its  
5 certificates of coverage all of the essential features of the coverage in summary form.

6           7.     The Company violated Arizona case law established by *Allstate Ins. Co.*  
7 *v. Druke*, 118 Ariz. 301, 576 P.2d 489 (1978), by issuing policy forms that asserted a  
8 right of subrogation of health insurance claims.

9           8.     The Company violated A.R.S. § 20-2106 by using disclosure  
10 authorization forms that failed to meet the statutory requirements regarding content  
11 and time limits for such forms.

12          9.     The Company violated A.R.S. § 20-1401.01 by failing to include the  
13 required notice on four employer group certificate forms delivered in the State of  
14 Arizona for policies issued in other states.

15          10.    The Company violated A.R.S. § 20-2104(B)(1)(b) by failing to provide the  
16 applicant with a Notice of Insurance Information at the time it requested personal  
17 information from a third party.

18          11.    The Company violated A.R.S. § 20-2110(A) by failing to provide a  
19 Summary of Rights to all applicants at the time an adverse underwriting decision was  
20 communicated.

21          12.    The Company violated A.R.S. § 20-461(A)(2) and A.A.C. R20-6-  
22 801(E)(1) by failing to acknowledge claims received from or payable to the insured  
23 within 10 working days of receipt of the claim.

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1 13. The Company violated A.R.S. § 20-461(A)(5) and A.A.C. R20-6-  
2 801(G)(1)(a) by failing to accept or deny claims received from or payable to the insured  
3 within 15 working days of receipt of the claim;

4 14. The Company violated A.R.S. § 20-3102 by failing to adjudicate claims  
5 submitted by and paid to providers within 30 days of receipt of a clean claim.

6 15. The Company violated A.R.S. § 20-461(A)(15) and A.A.C. R20-6-  
7 801(G)(1)(a) by failing to provide a reasonable explanation for the denials of claims.

8 16. The Company violated A.R.S. § 20-461(A)(1) and A.A.C. R20-6-  
9 801(D)(1) by failing to pay or deny benefits in accordance with policy provisions.

10 17. The Company violated A.R.S. § 20-462(A)(9) by attempting to settle  
11 claims for an amount less than a reasonable person would expect by reference to  
12 written or printed advertising materials.

13 18. The Company violated A.R.S. § 20-1404(E) by failing to pay claims for  
14 newborn services in accordance with the State's mandated benefit for newborn  
15 coverage.

16 19. The Company violated A.R.S. § 20-461(A)(3) and (4) and A.A.C. R20-6-  
17 801(F) by failing to investigate claims submitted by or payable to an insured.

18 20. The Company violated A.R.S. § 20-461(A)(3) and (4) and 20-3102(B) and  
19 A.A.C. R20-6-801(F) by failing to investigate claims submitted by and payable to a  
20 provider.

21 21. The Company violated A.R.S. § 20-462(A) by failing to pay the correct  
22 interest at the legal rate from the date the claims was received on claims not paid to  
23 the insured within 30 days of receipt of acceptable proofs of loss.

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1                   ii. Provide supporting documentation regarding the Company's  
2 relative position in the industry;

3                   c. Provide during the enrollment process the required disclosure notices  
4 to group employers and employees in a form that includes the required content for  
5 such forms;

6                   d. Provide Student Health coverage certificates of coverage that include  
7 in summary form all of the essential features of the coverage;

8                   e. Acknowledge claims received from or payable to an insured within 10  
9 working days of receipt of the claims;

10                  f. Provide a reasonable explanation for the denial of claims in sufficient  
11 detail to allow members and providers to appeal the adverse decision;

12                  g. Pay or deny benefits in accordance with policy provisions;

13                  h. Refrain from denying claims unless a reasonable investigation of the  
14 claims has been performed;

15                  i. Pay interest at the legal rate on all claims submitted by or payable to  
16 the insured from the date of receipt of the claims on claims not paid within 30 days of  
17 receipt of acceptable proofs of loss;

18                  j. Pay interest at the legal rate on all claims submitted by and payable to  
19 the provider from the date the claim should have been paid on claims not paid within  
20 30 days of adjudication of a clean claim;

21                  k. Correct all policy forms and claim forms to accurately describe the  
22 Arizona appeal rights;

23                  l. Allow a treating provider to file an appeal on behalf of a member;

24                  m. Provide the criteria used and clinical reasons for all appeal decisions;

1 n. Include in the renewal notice for group coverage an explanation of the  
2 extent to which the increase in premium was due to the actual or expected claims  
3 experience of the individuals covered under the plan.

4 2. Within 120 days of filed date of this Order, the Company shall:

5 a. Perform a self-audit of Student Health claims denied for routine  
6 newborn care because the newborn had not been enrolled in the coverage;

7 b. Reprocess all claims identified by the self-audit as having been  
8 denied incorrectly;

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

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

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

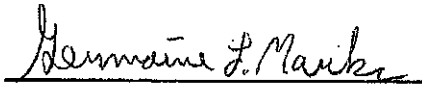
22 4. The Department shall be permitted, through authorized representatives,  
23 to verify that The Company has complied with all provisions of this Order.

24 5. The Company shall pay a civil penalty of \$246,000.00 to the Director for  
25 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil

1 penalty shall be provided to the Market Conduct Examinations Section of the  
2 Department prior to the filing of this Order.

3 6. The Report of Examination of the Market Conduct Affairs of Aetna Life  
4 Insurance Company dated December 31, 2009 including the letter submitted in  
5 response to the Report of Examination, shall be filed with the Department after the  
6 Director has filed this Order.

7  
8 DATED in Arizona this 18<sup>th</sup> day of November, 2013.

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11 Germaine L. Marks  
12 Director of Insurance  
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**CONSENT TO ORDER**

1           1.     Aetna Life Insurance Company has reviewed the foregoing Order.

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

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

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

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

17           6.     Gregory Martinis, who holds the office of  
18 Vice President of Aetna Life Insurance Company, is authorized to  
19 enter into this Order for it and on its behalf.

20  
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24     11/5/13  
Date

**AETNA LIFE INSURANCE COMPANY**

By: 

1 COPY of the foregoing mailed/delivered  
2 this 18th day of November, 2013, to:

3 Germaine L. Marks  
4 Director of Insurance

5 Darren Ellingson  
6 Deputy Director  
7 Director's Office

8 Helene I. Tomme  
9 Market Examinations Supervisor  
10 Market Oversight Division

11 Dean Ehler  
12 Assistant Director  
13 Property and Casualty Division

14 Kurt Regner  
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

Lesa Paige Bentley  
Regulatory Compliance Manager – West Region  
Regulatory Compliance Unit  
Aetna Life Insurance Company  
2850 Shadelands Drive, F915  
Walnut Creek, CA 94598

