STATE OF ARIZONA FILED

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DEPARTMENT OF INSURANCE

DEC 1 3 1993

DEPARTMENT OF INSURANCE

In the Matter of:

Docket No. 8282

CENTENNIAL LIFE INSURANCE COMPANY

CONSENT ORDER

Respondent.

A market conduct examination was made of Centennial Life Insurance Company, hereinafter referred to as "Centennial", by a Market Conduct Examiner for the Arizona Department of Insurance ("ADOI") covering the time period from January 1, 1989 to June 30, 1992, with some business aspects examined into July, 1992. Based upon the examination results, it is alleged that Centennial has violated the provisions of Arizona Revised Statutes (A.R.S.), Title 20, Sections 20-461 and 20-462, and Arizona Administrative Code Rule ("A.A.C. R") 4-14-801. Centennial wishes to resolve this matter without formal adjudicative proceedings and hereby agrees to a Consent Order.

The Director of Insurance of the State of Arizona ("the Director") enters the following Findings of Fact, and Conclusions of Law, which are neither admitted nor denied by Centennial, and the following Order:

FINDINGS OF FACT

- 1. Centennial is authorized to transact life and disability insurance as an insurer pursuant to a Certificate of Authority issued by the Director.
- 2. The Examiner was authorized by the Director to conduct a market conduct examination of Centennial and has prepared the

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Report of Examination of the Market Conduct Affairs of Centennial ("the Report"). The period covered by the on-site examination was concluded as of June 30, 1992, although some issues were investigated into July, 1992.

- 3. The Examiner reviewed 231 of the Arizona health claims paid by Centennial during the period covered by the Examination. As to these, Centennial failed to:
- a accept or deny sixty-three (63) claims within fifteen (15) working days after the receipt of properly executed proofs of loss.
- b. pay thirty-five (35) claims within thirty (30) days after receipt of acceptable proofs of loss which contained all information necessary for claim adjudication
- 4. The Examiner reviewed sixty-nine (69) of the accident and health claims denied by Centennial during the time period covered by the examination. Of these claims, Centennial failed to deny nine (9) claims within fifteen (15) working days after the receipt of properly executed proofs of loss.

CONCLUSIONS OF LAW

- 1. By failing to advise claimants of the acceptance or denial of their claims within fifteen (15) working days after receipt of properly executed proofs of loss, Centennial violated A.A.C. R4-14-80I(G)(1)(a) and (b) and A.R.S. § 20-461(A)(5).
- 2. By failing to pay claims within thirty (30) days after the receipt of proofs of less which contained all information necessary for claim adjudication, and failing to pay interest on the amount due, Centennial violated A.R.S. § 20-462(A).

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3. Grounds exist for the Director to revoke or suspend Centennial's Certificate of Authority.

4. Grounds exist for the entry of all other provisions of the following order.

ORDER

Centennial having admitted the jurisdiction of the Director to enter the Order set forth herein, having waived the Notice of Hearing and the hearing, having waived any and all rights to appeal this Order, and having consented to the entry of the Order set forth hereinafter, and there being no just reason for delay:

IT IS HEREBY ORDERED THAT':

- 1. Centennial shall clease and desist from failing to notify minsureds of the acceptance or denial of claims within fifteen (15) working days of receipt of properly executed proofs of loss; and from failing to either pay claims within thirty (30) days after receipt of a proof of loss which contains all information necessary for claim adjudication, or pay interest on the claims from the date the claim was received by Centennial.
- 2. Centennial shall develop a written action plan to monitor and ensure that its personnel process claims in accordance with A.R.S. §§ 20-461, 20-462, and A.A.C. R4-14-801. Centennial shall submit copies of the action plan to the ADOI for approval within thirty (30) days of the filed date of this Order.
- 3. Centennial shall pay interest on the amounts of the claims unpaid on the 30th day after Centennial's receipt of proofs of loss containing all information necessary for claims

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adjudication to the claimants listed on Pages 25 and 26 of the Report. Interest shall be paid at the rate of ten percent (10%) per annum calculated from the date the claim was received by the insured to the date the claim was paid.

These payments shall be accompanied by a letter to the insured acceptable to the Director. A list of payments, giving the name and address of each party to whom they were made, the base amount, the amount of interest paid and the date of payment, shall be provided to the ADOI when all payments have been made.

- 4. The ADOI shall be permitted, through an authorized representative, to verify that Centennial has complied with all provisions of this Order, and the Director may separately order Centennial to comply.
- 5. Centennial shall pay the sum of FOUR THOUSAND NINE HUNDRED DOLLARS (\$4,900) to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). Said \$4,900 shall be provided to the Hearing Division of the ADOI on or before December 6, 1993.
- 6. The Report of Market Conduct Examination as of June 30, 1992, to include the objections to the Report by Centennial, shall be filed with the ADOI.

DATED at Phoenix, Arizona this 13 day of December , 1993

Susan Gallinger Director of Insurance

CONSENT TO ORDER

- 1. Respondent, Centennial Life Insurance Company, has reviewed the foregoing Order.
- 2. Respondent is aware of its right to a hearing at which hearing Respondent may be represented by counsel, present evidence and cross-examine witnesses. Respondent has irrevocably waived its right to such public hearing and to any court appeals relating thereto.
- 3. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and consents to the entry of this Order.
- 4. Respondent states that no promise of any kind or nature whatsoever was made to induce it to enter into this Order and that it has entered into this Order voluntarily.
- 5. Respondent acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely for the purpose of settling this litigation against it and does not preclude any other agency or officer of this state or subdivision thereof from instituting other civil or criminal proceedings as may be appropriate now or in the future.

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Insurance	Company,	and	that	as	such	ı, h	e has	bee	en	author	ized	bу	it
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(Date)	CENTENNIAL LIFE	INSURANCE COMPANY

1 COPY of the foregoing mailed/delivered this 13th day of December, 1993, to: 2 Katrina Rogers 3 Chief Hearing Officer Saul R. Saulson 4 Supervisor Examinations Section 5 *Mary Butterfield Supervisor 6 Life and Disability Section Deloris E. Williamson Assistant Director Rates & Regulations Division 8 Jay Rubin Assistant Director 9 Investigations Division Gary Torticill 10 Assistant Director and Chief Financial Examiner Corporate & Financial Affairs Division 11 Maureen Catalioto Supervisor 12. Licensing Section DEPARTMENT OF INSURANCE 13 2910 North 44th Street, Suite 210 Phoenix, AZ 85018 14 15 Donald J. Birmingham President and Chief Operating Officer HE CENTENNIAL LIFE INSURANCE COMPANY 16 P.O. Box 470 Shawnee Mission, Kansas 66201 17 18 19 20 21 22 **2**3 24 25

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