

1 2. The Director authorized the Examiners to conduct a targeted market
2 conduct examination of the Company. The examination covered the time period from
3 July 1, 2005, through June 30, 2008, and was concluded on September 2, 2010.
4 Based on the examination findings, the Examiners prepared the Report, dated June 30,
5 2008.

6 3. With regard to the processing of health insurance claims, the Company:

7 a. Failed to conduct a timely and reasonable investigation before denying
8 claims;

9 b. Failed to provide a reasonable explanation for the denial of claims in
10 sufficient detail to allow members and providers to appeal the adverse decision;

11 c. Used Explanation of Benefits ("EOB") forms that:

12 i. Failed to prominently display the notice of the right to appeal;

13 ii. Failed to identify the name of the issuing carrier; and

14 iii. Incorrectly stated the time period for filing a first-level appeal.

15 d. Adopted policies and procedures that failed to provide for interest
16 payments of claims submitted by and/or paid to the insured.

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

18 a. Referenced policy benefits without disclosing pertinent policy exclusions,
19 reductions and limitations, including but not limited to those applicable to preexisting
20 conditions;

21 b. Incorrectly stated the number of years the Company has been in
22 existence;

23 c. Failed to identify the source of statistics concerning the number of
24 persons covered by the Company's health products or the time period represented by
25 the statements.

1 5. The Company violated A.R.S. § 20-462(A) by adopting policies and
2 procedures that failed to provide for the payment of interest on claims submitted by
3 and/or paid to the insured.

4 6. The Company violated A.R.S. § 20-444 and A.A.C. R20-6-201 by using
5 noncomplying marketing materials, advertising, and sales scripts that failed to provide
6 required information, or in the alternative made unsubstantiated claims about the
7 Company's products, operations, and/or relative strength and experience.

8 7. The Company violated A.R.S. § 20-2310(E)(1) and a previous Order of
9 the Director, by failing to properly credit new insureds for preexisting conditions
10 exclusionary period satisfied under prior coverage.

11 8. The Company violated A.R.S. § 20-2323 by failing to provide the required
12 disclosure forms to employers and certificate holders.

13 9. The Company violated A.R.S. § 20-2104(C) by failing to provide a Notice
14 of Insurance Information Practices that complies with the statutory requirements.

15 10. The Company violated A.R.S. § 20-2106(7)(a) by failing to limit disclosure
16 of information on applications to no more than 30 months.

17 11. The Company violated A.R.S. § 20-2309(A) and Consent Order 2004 by
18 failing to include in the renewal notice for group coverage an explanation of the extent
19 to which the increase in premium was due to the actual or expected claims experience
20 of the individuals covered under the plan.

21 12. Grounds exist for the entry of the following Order in accordance with
22 A.R.S. §§ 20-220, 20-456, 20-2117, and 20-2508.

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ORDER

IT IS ORDERED THAT:

1. Union Security Insurance Company shall:
 - a. Perform timely and reasonable investigations prior to denying claims;
 - b. Provide a reasonable explanation for the denial of claims in sufficient detail to allow members and providers to appeal the adverse decision;
 - c. Use marketing materials, advertising, and sales scripts that:
 - i. Disclose pertinent policy exclusions, reductions and limitations; reference "practices" not to cancel small group coverage due to experience;
 - ii. Do not incorrectly state the number of years the Company has been in business; and
 - iii. Provide the sources of statistical information used in advertising and marketing materials.
 - d. Use EOB forms that:
 - i. Prominently display the notice of the right to appeal;
 - ii. Identify the name of the issuing carrier; and
 - iii. Provide the correct time period for filing a first-level appeal.
 - e. Adopt and implement policies and procedures for the payment of interest on claims submitted by and/or paid to insureds and not paid within 30 days of receipt of acceptable proofs of loss.
 - f. Apply accurate credit for documented prior coverage when applying a preexisting condition limitation.
 - g. Provide required disclosure forms to all employers and certificate holders;

1 h. The Company provides a Notice of Insurance Information Practices
2 that complies with statutory requirements.

3 i. Use an authorization for the release of information related to the
4 diagnosis, test results, or treatment for HIV/AIDS that complies with the notice and time
5 requirements prescribed by law;

6 j. Use application disclosure authorization provisions that limit
7 disclosures to "no more than" 30 months as prescribed by law;

8 k. Adopt policies and procedures that give credit for premium payments
9 as of the date that they were deposited in the United States mail or as of the date of
10 registration or certification as established by the United States mail;

11 l. Include in the renewal notice for group coverage an explanation of the
12 extent to which the increase in premium was due to the actual or expected claims
13 experience of the individuals covered under the plan.

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

20 3. The Department shall be permitted, through authorized representatives,
21 to verify that The Company has complied with all provisions of this Order.

22 4. The Company shall pay a civil penalty of \$40,000.00 to the Director for
23 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil
24 penalty shall be provided to the Market Conduct Examinations Section of the
25 Department prior to the filing of this Order.

1 **CONSENT TO ORDER**

2 1. Union Security Insurance Company has reviewed the foregoing Order.

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

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

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

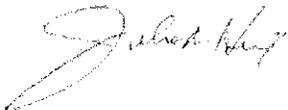
13 5. Union Security Insurance Company acknowledges that the acceptance of
14 this Order by the Director of Insurance, State of Arizona, is solely to settle this matter
15 against it and does not preclude any other agency or officer of this state or its
16 subdivisions or any other person from any other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

18 6. Julia M. Hix, who holds the office of
19 Vice President, Compliance of Union Security Insurance Company, is authorized
20 to enter into this Order for it and on its behalf.

21
22
23 **UNION SECURITY INSURANCE COMPANY**

24 December 31, 2012

25 Date

By: 

1 COPY of the foregoing mailed/delivered
2 this 10th day of January, 2013, to:

3 Germaine L. Marks
4 Director of Insurance

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 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

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