

DEC 31 2014

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY MS

In the Matter of:

**LIFE INSURANCE COMPANY OF NORTH  
AMERICA,**

NAIC # 65498,

Respondent

) Docket No. 14A-138-INS

**CONSENT ORDER**

Examiners for the Department of Insurance ("the Department") conducted a targeted market conduct examination of Life Insurance Company of North America ("the Company"). The Report of Targeted Examination of Life Insurance Company of North America, dated as of December 31, 2010, ("the Report") alleges that the Company has violated Arizona Revised Statutes ("A.R.S.") §§ 20-448(B), 20-461(A)(5), and (15), 20-462(A), and 20-3102(A), and Arizona Administrative Code ("A.A.C.") R20-6-801 (G)(1)(a).

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.

**FINDINGS OF FACT**

1. The Company is domiciled in Pennsylvania and is authorized to transact life and disability insurance in Arizona 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

1 January 1, 2008, through December 31, 2010, and was concluded on November 7,  
2 2013. Based on the examination findings, the Examiners prepared the Report, dated  
3 December 31, 2010.

4 3. The Company unfairly discriminated among individuals of essentially the  
5 same hazard in the benefits payable or in the application of the terms or conditions of  
6 coverage for cancer policy claims handling where the cancer diagnosis occurred during  
7 the policy's waiting period.

8 4. During the processing of claims from Arizona residents, the Company:

9 a. Failed to accept or deny claims submitted by and/or directly payable  
10 to the Insureds within 15 working days of receipt of acceptable proofs of loss;

11 b. Failed to adjudicate claims received from and payable to providers  
12 within 30 days of receipt of a clean claim;

13 c. Failed promptly to provide a reasonable explanation of the basis in the  
14 insurance policy relative to the facts or applicable law for the denial of claims;

15 d. Failed to pay the correct interest in the amount totaling \$66.93 on late  
16 claims submitted by and/or payable directly to the Insured; and

17 e. Failed to pay the correct interest in the amount totaling \$204.82 on  
18 late claims submitted by and payable to the Provider.

19  
20 **CONCLUSIONS OF LAW**

21 1. The Company violated A.R.S. § 20-448(B) by unfairly discriminating  
22 among individuals of essentially the same hazard, in the benefits payable or in the  
23 application of the terms or conditions of coverage.

1           2.     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 submitted by or payable directly to the  
3 Insured within 15 working days of receipt of acceptable proofs of loss.

4           3.     The Company violated A.R.S. §§ 20-461(A)(5) and 20-3102(A) by failing  
5 to adjudicate claims submitted by and payable to providers within 30 days of receipt of  
6 a clean claim.

7           4.     The Company violated A.R.S. § 20-461(A)(15) and A.A.C. R20-6-  
8 801(G)(1)(a) by failing to provide a reasonable explanation relative to the facts and  
9 applicable law for the denials of claims.

10          5.     The Company violated A.R.S. § 20-462(A) by failing to pay the correct  
11 interest on late claims submitted by and/or payable to the Insured.

12          6.     The Company violated A.R.S. § 20-3102(A) by failing to pay the correct  
13 interest on late claims submitted by and payable to the Provider.

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

16   **ORDER**

17 **IT IS ORDERED THAT:**

18           1.     Life Insurance Company of North America shall:

19                   a. Process claims in accordance with policy benefits and without unfairly  
20 discriminating among members in the benefits payable and/or the terms or conditions  
21 of coverage.

22                   b. Adjudicate all claims in a timely manner in accordance with regulatory  
23 standards.

24 . . . . .

25 . . . . .

1 c. Provide a reasonable explanation for the denial of claims in sufficient  
2 detail, relative to the facts or applicable law, to allow members and providers to appeal  
3 the adverse decision.

4 d. Pay interest at the legal rate of 10% from the date of receipt of the  
5 claim on all late claims submitted by and/or payable directly to the Insured.

6 e. Pay interest at the legal rate of 10% from the date the claim should  
7 have been paid on all late claims submitted by and payable to the Provider.

8 f. Respond to pertinent claims correspondences within 10 working days  
9 of receipt.

10 2. Within 90 days of filed date of this Order, the Company shall:

11 a. Reprocess the claims identified as files L-08-HRRACC-P-025 and  
12 L-08-HSRACC-P-026 in Preliminary Finding # 013, and shall pay restitution for the  
13 underpaid interest at the legal rate of 10% on these late claims in the amounts of \$4.46  
14 and \$8.23 respectively. Payment shall be made to the Insured.

15 b. With each such payment, provide a Department-approved letter to  
16 the insured stating that an audit of claims following an examination by the Arizona  
17 Department of Insurance had resulted in the identification and correction of the  
18 underpaid interest due on the claim.

19 c. The Company may comply with this requirement by providing proof  
20 in the form of canceled checks or other pertinent documentation that the underpaid  
21 interest was previously paid pursuant to the findings contained in the Report of  
22 Examination.

23 3. Within 90 days of the filed date of this Order, the Company shall submit to  
24 the Arizona Department of Insurance, for approval, evidence that corrections have  
25 been implemented and communicated to the appropriate personnel, regarding all of the

1 items listed above in Paragraphs 1 and 2 of the Order section of this Consent Order.  
2 Evidence of corrective action includes but is not limited to memos, bulletins, emails,  
3 correspondence, procedures manuals, print screens and training materials.

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

6 5. The Company shall pay a civil penalty of \$54,000.00 to the Director for  
7 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil  
8 penalty shall be provided to the Market Conduct Examinations Section of the  
9 Department prior to the filing of this Order.

10 6. The Report of Examination of the Market Conduct Affairs of Life  
11 Insurance Company of North America dated December 31, 2010, including the letter  
12 submitted in response to the Report of Examination, shall be filed with the Department  
13 after the Director has filed this Order.

14  
15 DATED in Arizona this 31<sup>st</sup> day of December, 2014.

16  
17 Germaine L. Marks  
18 Germaine L. Marks  
19 Director of Insurance  
20  
21 . . . .  
22 . . . .  
23  
24  
25

**CONSENT TO ORDER**

1            1.    Life Insurance Company of North America has reviewed the foregoing  
2 Order.

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

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

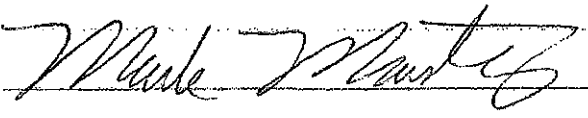
10           4.    Life Insurance Company of North America states that no promise of any  
11 kind or nature whatsoever was made to it to induce it to enter into this Order and that it  
12 has entered into this Consent Order voluntarily.

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

19           6.    Mark P. Marsters                      , who holds the office of  
20 Senior Vice President                  of Life Insurance Company of North America, is  
21 authorized to enter into this Order for it and on its behalf.

LIFE INSURANCE COMPANY OF NORTH AMERICA

24           12/15/14  
25           Date

By: 

1 COPY of the foregoing mailed/delivered  
2 this 31st day of December , 2014, to:

3 Germaine L. Marks  
4 Director of Insurance

5 Darren Ellingson  
6 Deputy Director

7 Director's Office

8 Yvonne R. Hunter

9 Assistant Director

10 Consumer Affairs 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 Erin Klug

20 Assistant Director

21 Life and Health Division

22 Chuck Gregory

23 Special Agent Supervisor

24 Investigations Division

25 Helene J. Tomme

Market Examinations Supervisor

Market Oversight Division

DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210

Phoenix, AZ 85018

A.J. Charman, III, CTT+

Compliance Manager, Market Conduct

Regulatory & State Government Affairs

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