

JUL 7 1993

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
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In the Matter of:	)	Docket No. 8140
CENTRAL STATES HEALTH AND LIFE	)	
COMPANY OF OMAHA	)	CONSENT ORDER
	)	
Respondent.	)	
_____	)	

A market conduct examination was made of Central States Health and Life Company of Omaha ("Central States") by a Market Conduct Examiner for the Arizona Department of Insurance ("ADOI") as of May 31, 1992, covering the time period from January 1, 1989 to May 31, 1992. Based upon the examination results, it is alleged that Central States has violated the provisions of Arizona Revised Statutes, Title 20, Sections 20-461 and 20-462, and Arizona Administrative Code Rule ("A.A.C. R") 4-14-801. Central States 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 Central States, and the following Order:

FINDINGS OF FACT

1. Central States 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 Central States and has prepared

1 the Report of Examination of the Market Conduct Affairs of  
2 Central States ("the Report"). The period covered by the  
3 on-site examination was concluded as of May 31, 1992.

4 3. The Examiner reviewed 111 of the 709 Arizona  
5 agency-paid accident and health claims paid by Central States  
6 during the period covered by the Examination. As to these,  
7 Central States failed to:

8 a. acknowledge the receipt of fifteen (15) claims  
9 within ten (10) working days.

10 b. accept fifteen (15) claims within fifteen (15)  
11 working days after the receipt of properly executed proofs of  
12 loss, and failed to notify the claimants of the reasons that  
13 more time was needed for investigation.

14 c. pay nine (9) claims within thirty (30) days  
15 after receipt of acceptable proofs of loss which contained all  
16 information necessary for claim adjudication, or pay interest on  
17 the claims from the date received by Central States.

18 The Examiner noted that each of these occurred in the  
19 calendar year 1989, during a period in which Central States had  
20 a substantial increase in business.

21 4. The Examiner reviewed 28 of the 160 Arizona agency  
22 accident and health claims denied by Central States during the  
23 time period covered by the examination. Of these claims,  
24 Central States failed to:

25 a. acknowledge two (2) claims within ten (10)  
26 working days of receipt.

27 b. deny three (3) claims within fifteen (15) working  
28 days after the receipt of properly executed proofs of loss.

1           5. The Examiner noted that each of these occurred in the  
2 calendar year 1989, during a period in which Central States had  
3 a substantial increase in business.

4           6. The ADOI acknowledges that all violations recorded by  
5 the Examiner occurred in 1989 and that no violations were  
6 reported for the period of the exam covering 1991 through  
7 May 31, 1992.

8                           CONCLUSIONS OF LAW

9           1. By failing to acknowledge notification of claims or  
10 pay the claims within ten (10) working days of their receipt,  
11 Central States violated A.A.C. R4-14-801(E)(1) and A.R.S. §  
12 20-461(A)(2).

13           2. By failing to advise claimants of the acceptance or  
14 denial of their claims within fifteen (15) working days after  
15 receiving receipt of properly executed proofs of loss, and  
16 failing to notify the claimants of the reasons that more time  
17 was needed for investigation, Central States violated A.A.C.  
18 R4-14-801(G)(1)(a) and (b) and A.R.S. § 20-461(A)(5).

19           3. By failing to pay claims within thirty (30) days after  
20 the receipt of proofs of loss which contained all information  
21 necessary for claim adjudication, and failing to pay interest on  
22 the amount due, Central States violated A.R.S. § 20-462(A).

23           4. Grounds exist for the Director to revoke or suspend  
24 Central States' Certificate of Authority.

25           5. Grounds exist for the entry of all other provisions of  
26 the following order.

27 . . . . .

28 . . . . .



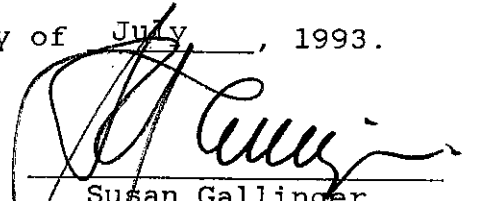
1 made, the base amount, the amount of interest paid, and the date  
2 of payment, shall be provided to the ADOI when all payments have  
3 been made.

4 3. The ADOI shall be permitted, through an authorized  
5 representative, to verify that Central States has complied with  
6 . . . . .  
7 all provisions of this Order, and the Director may separately  
8 order Central States to comply.

9 4. Central States shall pay a civil penalty of ONE  
10 THOUSAND FIVE HUNDRED DOLLARS (\$1,500) to the Director for  
11 remission to the State Treasurer for deposit in the State  
12 General Fund in accordance with A.R.S. § 20-220(B). Said \$1,500  
13 shall be provided to the Hearing Division of the ADOI on or  
14 before June 11, 1993.

15 5. The Report of Market Conduct Examination as of May 31,  
16 1992, to include the response to the Report by Central States,  
17 shall be filed with the ADOI.

18  
19 DATED at Phoenix, Arizona this 7th day of July, 1993.



\_\_\_\_\_  
Susan Gallinger  
Director of Insurance

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22  
23 CONSENT TO ORDER

24 1. Respondent, Central States Health and Life Company of  
25 Omaha, has reviewed the foregoing Order.

26 2. Respondent is aware of its right to a hearing at which  
27 hearing Respondent may be represented by counsel, present  
28 evidence and cross-examine witnesses. Respondent has irrevocably

1 waived its right to such public hearing and to any court appeals  
2 relating thereto.

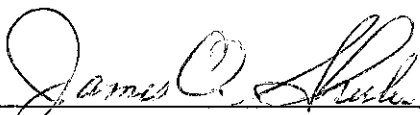
3 3. Respondent admits the jurisdiction of the Director of  
4 Insurance, State of Arizona, and consents to the entry of this  
5 Order.

6 4. Respondent states that no promise of any kind or nature  
7 whatsoever was made to induce it to enter into this Order and  
8 that it has entered into this Order voluntarily.

9 5. Respondent acknowledges that the acceptance of this  
10 Order by the Director of Insurance, State of Arizona, is solely  
11 for the purpose of settling this litigation against it and does  
12 not preclude any other agency or officer of this state or  
13 subdivision thereof from instituting other civil or criminal  
14 proceedings as may be appropriate now or in the future.

15 6. James O. Shuler represents that as  
16 Vice President he is an officer of Central States  
17 Health and Life Company of Omaha, and that as such, he has been  
18 authorized by it to enter into this Order for and on its behalf.

19  
20 June 11, 1993  
21 (Date)

  
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CENTRAL STATES HEALTH AND LIFE  
COMPANY OF OMAHA

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COPY of the foregoing mailed/delivered  
this 7th day of July , 1993, to:

- Sara Begley  
Hearing Officer
- Deloris E. Williamson  
Assistant Director  
Rates & Regulations Division
- \*Mary Butterfield  
Supervisor  
Life and Disability Section
- Jay Rubin  
Assistant Director  
Consumer Affairs & Investigations Division
- Gary Torticill  
Assistant Director and Chief Financial Examiner  
Corporate Affairs & Financial Division
- DEPARTMENT OF INSURANCE  
3030 N. 3rd Street, Suite 1100  
Phoenix, AZ 85012
- James O. Shuler  
Vice President and Assistant General Counsel  
CENTRAL STATES HEALTH AND LIFE COMPANY OF OMAHA  
P.O. Box 34350  
Omaha, Nebraska 68134-0350

