

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEC 4 1996

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In the Matter of:)	Docket No. 96A-230
)	
SAMARITAN HEALTH INSURANCE COMPANY)	CONSENT ORDER
NAIC #60122)	
Respondent.)	

Examiners for the Arizona Department of Insurance ("the Department") have conducted a market conduct examination of Samaritan Health Insurance Company ("SHIC"), also referred to as "Respondent", covering the time period from November 24, 1993 to March 31, 1995. Based upon the examination results, it is alleged that SHIC has violated the provisions of A.R.S. §§ 20-461 and 20-462, and A.A.C. 20-6-801. SHIC 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 SHIC, and the following Order.

FINDINGS OF FACT

1. SHIC is authorized to transact disability insurance as an insurer pursuant to a Certificate of Authority issued by the Director.
2. The Examiners were authorized by the Director to conduct a market conduct examination of Respondent. The on-site examination was completed on June 2, 1995.
3. The Examiners reviewed three appeals received by SHIC. All three appeals related to emergency room claims. One

1 appeal (33.3%) was not responded to within ten working days of
2 receipt of the appeal.

3 4. The Examiners reviewed 118 of 7,401 Arizona contract
4 health paid claims. Of these:

5 a. SHIC failed to pay seven claims (6.1%) pursuant
6 to the contract provisions.

7 b. SHIC failed to pay interest to claimants on seven
8 claims (6.1%) which were not paid in accordance with the
9 contract that SHIC had with its providers.

10 5. The Examiners reviewed 60 of 879 Arizona contract
11 health denied claims. SHIC failed to deny nine claims (15%)
12 pursuant to the contract provisions.

13 6. The Examiners reviewed 34 of 2,088 noncontract paid
14 health claims. Of these:

15 a. SHIC failed to acknowledge 21 claims (61.8%)
16 within ten working days of receipt of the claim by the Company.

17 b. SHIC failed to accept or deny 13 claims (32.8%)
18 within 15 working days of receipt of properly executed proofs of
19 loss.

20 c. SHIC failed to pay interest on three claims
21 (8.8%) which were not paid within 30 calendar days after
22 properly executed proofs of loss were received by SHIC.

23 7. The Examiners reviewed 30 of 248 Arizona noncontract
24 denied health claims. Of These:

25 a. SHIC failed to acknowledge 17 claims (56.7%)
26 within ten working days of receipt of the claim by the Company.

27 b. SHIC failed to deny 14 claims (46.7%) within 15
28 working days of receipt of properly executed proofs of loss.

1 CONCLUSIONS OF LAW

2 1. By failing to respond to an appeal received directly
3 from a consumer within ten working days of receipt, SHIC
4 violated A.A.C. R20-6-801(E)(3) and A.R.S. § 20-461(A)(2).

5 2. By failing to acknowledge the receipt of notification
6 of claims within ten (10) working days, SHIC violated A.A.C.
7 R20-6-801(E)(1) and A.R.S. § 20-461(A)(2).

8 3. By failing to accept or deny claims within fifteen
9 working days of properly executed proofs of loss, SHIC violated
10 A.A.C. R20-6-801(G)(1)(a) and A.R.S. § 20-461(A)(5).

11 4. By failing to pay interest on claims which were not
12 paid within 30 days after receipt of acceptable proofs of loss
13 which contained all information necessary for claim
14 adjudication, SHIC violated A.R.S. § 20-462(A).

15 5. Grounds exist to allow the Director to suspend or
16 revoke the Certificate of Authority of SHIC.

17 6. Grounds exist for the entry of all provisions of the
18 following Order.

19 ORDER

20 SHIC having admitted the jurisdiction of the Director to
21 enter this Order, having waived the Notice of Hearing and the
22 hearing, having waived any and all rights to appeal this Order,
23 and having consented to the entry of this Order, and there being
24 no just reason for delay:

25 IT IS ORDERED THAT:

- 26 1. SHIC shall cease and desist from failing to:
27 a. respond to appeals received from consumers within
28 ten working days of receipt;

1 b. acknowledge all claims within ten days of receipt
2 of notices of claim;

3 c. notify first party claimants of the acceptance or
4 denial of their claims within 15 working days after the receipt
5 of properly executed proofs of loss;

6 d. pay interest to insureds on claims not paid
7 within 30 days after the receipt of an acceptable proof of loss
8 which contains all information necessary for claim payment;

9 2. Within 90 days of the filed date of this Order, SHIC
10 shall submit written action plans to the Director to monitor
11 Arizona issued policies to ensure that its personnel transact
12 the business of insurance and adjust and pay claims in
13 accordance with Arizona laws and regulations; specifically, as
14 to the issues listed in Item 1a, 1b, 1c and 1d above.

15 3. SHIC shall pay interest to the claimants listed in
16 Exhibit 2 and Exhibit 6 of the Report of Examination, attached
17 hereto and made a part hereof. Interest shall be calculated the
18 the rate of ten percent per annum, from the date that each claim
19 was filed until the date of payment by SHIC. All interest
20 payments shall be accompanied by a letter acceptable to the
21 Director. A list of payments, giving the name and address of
22 each party paid, the claim amount on which the interest was
23 calculated, the amount of interest paid, and the date of
24 payment, shall be furnished to the Market Conduct Examination
25 Division of the Department within 90 days of the filed date of
26 this Order.

27 4. The Department shall be permitted, through an
28 authorized representative, to verify that SHIC has complied

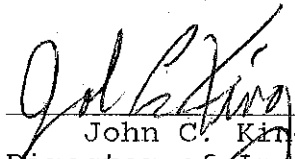
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with all provisions of this Order. The Director may separately order SHIC to comply with this Order.

5. SHIC shall pay a Civil Penalty of SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$7,500.00) 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 amount shall be provided to the Market Conduct Examinations Division of the Department on or before the entry of this Order.

6. The Report of Market Conduct Examination as of March 31, 1995, and any objections to the Report submitted by SHIC, shall be filed with the Department upon acceptance by the Director of this Consent Order.

DATED at Phoenix, Arizona this 3rd day of December, 1996.



John C. King
Director of Insurance

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1 CONSENT TO ORDER

2 1. Respondent Samaritan Health Insurance Company has
3 reviewed the attached Consent Order.

4 2. Respondent is aware of its right to a hearing at which
5 hearing it may be represented by counsel, present evidence and
6 cross-examine witnesses. Respondent has irrevocably waived its
7 right both to demand a public hearing and to seek judicial
8 review of this Order.

9 3. Respondent admits the jurisdiction of the Director of
10 Insurance, State of Arizona, and consents to the entry of this
11 Consent Order.

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

15 5. Respondent acknowledges that the acceptance of this
16 Order by the Director of Insurance, State of Arizona, is solely
17 to settle this matter against it and does not preclude any other
18 agency or officer of this state or subdivision thereof from
19 instituting other civil or criminal proceedings as may be
20 appropriate now or in the future.

21 6. Tracy P. Nuckolls, who holds the office
22 of Corporate Secretary of Samaritan Health Insurance
23 Company, is authorized to enter into this Order for and on its
24 behalf.

25 SAMARITAN HEALTH INSURANCE COMPANY

26 11/6/96
27 (Date)

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COPY of the foregoing mailed/delivered
this 4th day of December , 1996, to:

- Charles R. Cohen
Deputy Director
- Gregory Y. Harris
Executive Assistant Director
- Erin H. Klug
Chief Market Conduct Examiner
Market Conduct Examinations Division
- Paul J. Hogan
Examinations Supervisor
Market Conduct Examinations Division
- Mary Butterfield
Assistant Director
Life & Health Division
- Deloris E. Williamson
Assistant Director
Rates & Regulations Division
- Gary Torticill
Assistant Director and Chief Financial Examiner
Corporate & Financial Affairs Division
- Cathy O'Neil
Assistant Director
Consumer Services Division
- John Gagne
Assistant Director
Investigations Division
- Duane Avey
Fraud Unit Chief

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Curvey Walters Carter

SAMARITAN HEALTH INSURANCE COMPANY

CONTRACT PAID CLAIMS

VIOLATIONS OF A.R.S. § 20-462(A)

<u>Claim Number</u>	<u>Date of Receipt</u>	<u>Date of Payment</u>	<u>Number of Calendar Days</u>
42690848	09-26-94	01-27-95	123
42971746	10-24-94	01-27-95	95
42791352	10-06-94	12-07-94	62
42631586	09-20-94	11-09-94	50
50161438	01-16-95	03-02-95	45
42620141	09-19-94	11-03-94	45
43351382	12-01-94	01-04-95	34

Exhibit 2

SAMARITAN HEALTH INSURANCE COMPANY

NONCONTRACT PAID CLAIMS

VIOLATIONS OF A.R.S. § 20-462(A)

<u>Claim Number</u>	<u>Date Final Proofs of Loss Received</u>	<u>Date Claim Paid</u>	<u>Number of Calendar Days</u>
50061186	01-06-95	03-17-95	70
	01-17-95	02-27-95	41
	11-10-94	12-17-94	37