


JAN 18 1994

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
By 

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In the Matter of:	)	Docket No. 8326
NATIONAL FINANCIAL INSURANCE COMPANY	)	
Respondent.	)	CONSENT ORDER
	)	
	)	

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

**FINDINGS OF FACT**

1. National Financial 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 National Financial and has

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

4 3. The Examiner reviewed 333 Arizona health claims out of  
5 a population of 6,263, which were paid by National Financial  
6 during the period covered by the Examination. As to these,  
7 National Financial failed to:

8 a. accept or deny fifty-two (52) claims within  
9 fifteen (15) working days after the receipt of properly executed  
10 proofs of loss, and failed to notify the claimant of the reasons  
11 that more time was needed.

12 b. pay ten (10) claims within thirty days after  
13 receipt of acceptable proofs of loss which contained all  
14 information necessary for claim adjudication.

15 4. The Examiner reviewed fifty (50) Arizona health claims  
16 which were denied by National Financial during the period  
17 covered by the Examination. As to these, National Financial  
18 failed to accept or deny fifteen (15) claims within fifteen (15)  
19 working days after the receipt of properly executed proofs of  
20 loss, and failed to notify the claimant of the reasons that more  
21 time was needed.

22 5. The Examiner reviewed ten (10) complaints made to the  
23 ADOI concerning National Financial during the time frame of the  
24 Examination. As to these, National Financial failed to accept  
25 or deny two (2) claims within fifteen (15) working days after  
26 the receipt of properly executed proofs of loss, and failed to  
27 notify the claimants of the reasons that more time was needed.

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1 CONCLUSIONS OF LAW

2 1. By failing to advise claimants of the acceptance or  
3 denial of their claims within fifteen (15) working days after  
4 receipt of properly executed proofs of loss, Jefferson National  
5 violated A.A.C. R4-14-801(G)(1)(a) and (b) and A.R.S. §  
6 20-461(A)(5).

7 2. By failing to pay claims within thirty (30) after the  
8 receipt of proofs of loss which contain all information  
9 necessary for claim adjudication, and paying interest on the  
10 amount due, National Financial violated A.R.S. § 20-462(A).

11 3. Grounds exist for the Director to revoke or suspend  
12 National Financial's Certificate of Authority.

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

15 ORDER

16 National Financial having admitted the jurisdiction of the  
17 Director to enter the Order set forth herein, having waived the  
18 Notice of Hearing and the hearing, having waived any and all  
19 rights to appeal this Order, and having consented to the entry  
20 of the Order set forth hereinafter, and there being no just  
21 reason for delay:

22 IT IS HEREBY ORDERED THAT:

23 1. National Financial shall cease and desist from failing  
24 to notify insureds of the acceptance or denial of claims within  
25 fifteen (15) working days of receipt of properly executed proofs  
26 of loss and from failing to pay claims within thirty (30) days  
27 after the receipt of proofs of loss which contain all

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1 information necessary for claim adjudication, and failing to pay  
2 interest on the amount due.

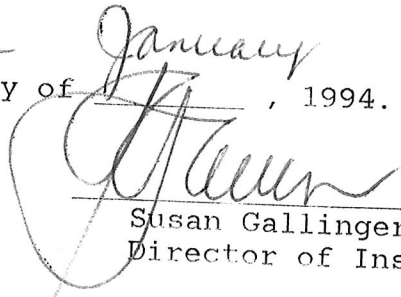
3       2. National Financial shall develop a written action  
4 plans to monitor and ensure that its personnel accept or deny  
5 claims within fifteen (15) days in accordance with A.A.C.  
6 R4-14-801(G)(1)(a) and that its personnel pay claims within  
7 thirty (30) days after the receipt of proofs of loss which  
8 contain all information necessary for claim adjudication.  
9 National Financial shall submit copies of the action plan to the  
10 ADOI for approval within thirty (30) days of the filed date of  
11 this Order.

12       3. The ADOI shall be permitted, through an authorized  
13 representative, to verify that National Financial has complied  
14 with all provisions of this Order, and the Director may  
15 separately order National Financial to comply.

16       4. National Financial shall pay a civil penalty of Four  
17 Thousand Dollars (\$4,000.00) to the Director for remission to  
18 the State Treasurer for deposit in the State General Fund in  
19 accordance with A.R.S. § 20-220(B). Said \$4,000.00 shall be  
20 provided to the Hearing Division of the ADOI on or before  
21 January 6, 1994.

22       5. The Report of Market Conduct Examination as of  
23 December 31, 1992, to include the objections to the Report by  
24 National Financial, shall be filed with the ADOI.

25  
26 DATED at Phoenix, Arizona this 14th day of January, 1994.

  
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Susan Gallinger  
Director of Insurance

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CONSENT TO ORDER

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2 1. Respondent, National Financial Insurance Company, has  
3 reviewed the foregoing Order.

4 2. Respondent is aware of its right to a hearing at which  
5 hearing Respondent may be represented by counsel, present  
6 evidence and cross-examine witnesses. Respondent has  
7 irrevocably waived its right to such public hearing and to any  
8 court appeals relating thereto.

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

12 4. Respondent states that no promise of any kind or  
13 nature whatsoever was made to induce it to enter into this Order  
14 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 for the purpose of settling this litigation against it and does  
18 not preclude any other agency or officer of this state or  
19 subdivision thereof from instituting other civil or criminal  
20 proceedings as may be appropriate now or in the future.

21 6. Lammie C. Hammer represents that as  
22 Senior V.P./General Counsel is an officer of National  
23 Financial Insurance Company, and that as such, he has been  
24 authorized by it to enter into this Order for and on its behalf.

25 NATIONAL FINANCIAL INSURANCE COMPANY

26  
27 Jan 4, 1994

By: Lammie C. Hammer

28 (Date)

1 COPY of the foregoing mailed/delivered  
this 18th day of January , 1994, to:

- 2 Katrina Rogers  
Hearing Officer
- 3 Deloris E. Williamson  
Assistant Director
- 4 Rates & Regulations Division  
Saul R. Saulson  
Supervisor
- 5 Examinations Section
- 6 \*Earl Brown  
Acting Supervisor
- 7 Life and Disability Section  
Jay Rubin  
Assistant Director
- 8 Consumer Affairs & Investigations Division
- 9 Gary Torticill  
Assistant Director and Chief Financial Examiner
- 10 Corporate Affairs & Financial Division
- 11 DEPARTMENT OF INSURANCE  
2910 N. 44th Street, Suite 210  
Phoenix, AZ 85018
- 12 Lawrence C. Hammer  
Senior Vice President/General Counsel
- 13 National Financial Insurance Company  
900 Astin Avenue  
Waco, Texas 76701

14 Chris Crawford

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