

STATE OF ARIZONA
FILED

SEP 23 1994

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE
By

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4 In the Matter of:) Docket No. 8557
5 RESERVE NATIONAL INSURANCE COMPANY)
6 Respondent.)
7)
8)

9 A market conduct examination was made of Reserve National
10 Insurance Company, hereinafter referred to as "Respondent", by a
11 Market Conduct Examiner for the Arizona Department of Insurance
12 ("ADOI") covering the time period from January 1, 1989 to
13 October 31, 1992. Based upon the examination results, it is
14 alleged that Respondent has violated the provisions of Arizona
15 Revised Statutes, Title 20, Sections 20-461, 20-462, and Arizona
16 Administrative Code Rule ("A.A.C. R") 4-14-801. Respondent
17 wishes to resolve this matter without formal adjudicative
18 proceedings and hereby agrees to a Consent Order.

19 The Director of Insurance of the State of Arizona ("the
20 Director") enters the following Findings of Fact, and
21 Conclusions of Law, which are neither admitted nor denied by
22 Respondent, and the following Order:

FINDINGS OF FACT

23 1. Respondent is authorized to transact life and
24 disability insurance as an insurer pursuant to a Certificate of
25 Authority issued by the Director.

26 2. The Examiner was authorized by the Director to conduct
27 a market conduct examination of Respondent and has prepared the
28 Report of Examination of the Market Conduct Affairs of

1 Respondent ("the Report"). The period covered by the on-site
2 examination was concluded as of October 31, 1992.

3 3. The Examiner reviewed 300 accident and health paid
4 claims out of a population of 12,089. As to these:

5 a. Respondent failed to accept or deny thirty-one
6 (31) claims within fifteen (15) working days after receipt of
7 properly executed proofs of loss.

8 b. Respondent failed to pay one (1) claim,
9 #900800810, within thirty (30) days after the receipt of proofs
10 of loss which contained all information necessary for claim
11 adjudication, and failed to pay interest thereon.

12 4. The Examiner reviewed ninety-one (91) denied claims
13 out of a population of 1,204. As to these, Respondent failed to
14 accept or deny twenty-five (25) claims within fifteen (15)
15 working days after receipt of properly executed proofs of loss.

16 CONCLUSIONS OF LAW

17 1. By failing to advise claimants of the acceptance or
18 denial of their claims within fifteen (15) working days after
19 receiving receipt of properly executed proofs of loss,
20 Respondent violated A.A.C. R4-14-801(G)(1)(a) and A.R.S. §
21 20-461(A)(5).

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

26 3. Grounds exist for the Director to revoke or suspend
27 Respondent's Certificate of Authority.

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1 calculated from the date the claim was received by Respondent to
2 the date the claim was paid. A list of the payment, giving the
3 name and address of the party, the policy and claim number, the
4 base amount, the amount of interest paid, the date of payment
5 and the cancelled check shall be provided to the ADOI within
6 sixty (60) days of the filed date of this Order.

7 4. The ADOI shall be permitted, through an authorized
8 representative, to verify that Respondent has complied with all
9 provisions of this Order, and the Director may separately order
10 United to comply.

11 5. Respondent shall pay a civil penalty of TWENTY-FIVE
12 HUNDRED DOLLARS (\$2,500.00) to the Arizona Director of Insurance
13 for remission to the State Treasurer for deposit in the State
14 General Fund in accordance with A.R.S. § 20-220(B). Said
15 \$2,500.00 shall be provided to the Administrative Law Division
16 of the ADOI on or before September 9, 1994.

17 6. The Report of Market Conduct Examination as of October
18 31, 1992 to include the objections to the Report by Respondent,
19 shall be filed with the ADOI.

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21 DATED at Phoenix, Arizona this 23rd day of September, 1994.

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23 
24 Chris Herstam
25 Director of Insurance

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2 CONSENT TO ORDER

3 1. Respondent, Reserve National Insurance Company, has reviewed
4 the foregoing Order.

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

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

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

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

22 6. ROGER W. COLE represents that as President of
23 Reserve National Insurance Company, he has been authorized by it
24 to enter into this Order for and on its behalf.

25 RESERVE NATIONAL INSURANCE COMPANY

26 Sept. 12, 1984 Roger W. Cole
27 (Date)

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COPY of the foregoing mailed/delivered
this 23rd day of September , 1994, to:

- Gay Ann Williams
Deputy Director
- Gregory Y. Harris
Chief Administrative Law Judge
- Erin Klüg
Manager
Market Conduct Examinations Division
- Saul Saulson
Supervisor
Examinations Section
- Shirley Polzin
Supervisor
Life and Disability Section
- Deloris E. Williamson
Assistant Director
Rates & Regulations Division
- Gary Torticill
Assistant Director and Chief Financial Examiner
Corporate & Financial Affairs Division
- Ron Watkins
Assistant Director
Consumer Services and Investigations
- Mary Butterfield (L&D Orders only)
Manager
Health Policy Division

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