

DEC 20 1993

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE
By

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3 In the matter of:) Docket No. 8298
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5 NATIONAL OLD LINE INSURANCE COMPANY) CONSENT ORDER
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7 Respondent.)
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7 A market conduct examination was made of National Old
8 Line Insurance Company, hereinafter referred to as "National
9 Old Line" or "Respondent", by a Market Conduct Examiner for
10 the Arizona Department of Insurance ("ADOI") covering the
11 time period from January 1, 1988 to December 31, 1990.
12 Based upon the examination results, it is alleged that
13 National Old Line has violated the provisions of Arizona
14 Revised Statutes, Title 20, Sections 20-442, 20-443, 20-444,
15 20-461, 20-1104, 20-1107, and Arizona Administrative Code
16 Rules ("A.A.C. R") 4-14-201, 4-14-215 and 4-14-801.
17 National Old Line wishes to resolve this matter without
18 formal adjudicative proceedings and hereby agrees to a
19 Consent Order.

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

FINDINGS OF FACT

- 25 1. National Old Line, at the time of the examination,
26 was authorized to transact life and disability insurance as
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1 an insurer pursuant to a Certificate of Authority issued by
2 the Director. On January 1, 1993, the business of National
3 Old Line was assumed by NN Investors Life Insurance Company
4 with a simultaneous name change to PFL Life Insurance
5 Company. For the purposes of this proceeding, PFL agrees to
6 sign the order and pay the civil penalty imposed by the
7 order.

8 2. The Examiner was authorized by the Director to
9 conduct a market conduct examination of National Old Line
10 and has prepared the Report of Examination of the Market
11 Conduct Affairs of National Old Line ("the Report"). The
12 period covered by the on-site examination was concluded as
13 of December 31, 1990.

14 3. National Old Line issued an advertising brochure,
15 Form 11959 R 9-1-90, for its Paycheck Provider accidental
16 death policy. This brochure stated "Guarantees a minimum of
17 \$240,000 to your beneficiary in the event of accidental
18 death -- No Maximum!" but does not show how this figure was
19 calculated or indicate that the benefit would only be
20 available if the insured applied for the maximum benefit
21 issued by National Old Line.

22 4. The Examiner reviewed 142 of the 2,341 life issued
23 and declined applications filed with National Old Line
24 during the period of the examination. Of these, eighteen
25 (18) applications were for policies intended to replace
26 existing life insurance coverage. Regarding the
27 applications for replacement coverage:
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1 a. National Old Line's agent failed to send
2 replacement forms to Respondent with one (1) application.

3 b. National Old Line failed to send notices of
4 replacement to the existing insurers on four (4) policies.

5 c. National Old Line failed to send notices of
6 replacement to the existing insurers within three (3)
7 working days on seven (7) policies.

8 5. National Old Line accepted the aunt of a juvenile
9 insured as the owner and beneficiary of one (1) life policy,
10 although National Old Line failed to include legal
11 guardianship papers or evidence of the aunt's insurable
12 interest in the juvenile.

13 6. The Examiner reviewed nine (9) of the 96 Arizona
14 accident and health claims paid or denied by National Old
15 Line during the period covered by the Examination. As to
16 these, National Old Line failed to:

17 a. acknowledge the receipt of two (2) cancer
18 policy claims and three (3) hospital indemnity policy claims
19 within ten (10) working days.

20 b. accept or deny (2) cancer policy claims and
21 one (1) hospital indemnity claim within fifteen (15) working
22 days after the receipt of properly executed proofs of loss.

23 CONCLUSIONS OF LAW

24 1. By issuing an advertising brochure which stated a
25 minimum guarantee in the event of accidental death without
26 showing how the minimum guarantee was calculated or
27 indicating it would only be available if the insured applied
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1 for the maximum benefit issued by National Old Line,
2 National Old Line misrepresented the benefits of the policy
3 in violation of A.A.C. R4-14-201(C) and A.R.S. §§ 20-443(1)
4 and 20-444.

5 2. By failing to send Notices Regarding Replacement
6 of Life Insurance to existing insurers within three (3)
7 working days of the soonest of the dates applications were
8 received at its home or regional offices or the dates
9 replacement policies were issued, National Old Line violated
10 A.A.C. R4-14-215(F)(3)(c) and A.R.S. § 20-442.

11 3. By failing to submit to the replacing insurer
12 copies of the Notices Regarding Replacement of Life
13 Insurance signed by the applicant and copies of all sales
14 proposals used for presentation to the applicant, National
15 Old Line's agents violated A.A.C. R4-14-215(E)(2)(c) and
16 A.R.S. § 20-442.

17 4. By failing to acknowledge notification of claims
18 or pay the claims within ten (10) working days of their
19 receipt, National Old Line violated A.A.C. R4-14-801(E)(1)
20 and A.R.S. § 20-461(A)(2).

21 5. By failing to advise claimants of the acceptance
22 or denial of their claims within fifteen (15) working days
23 after receipt of properly executed proofs of loss, National
24 Old Line violated A.A.C. R4-14-801(G)(1)(a) and (b) and
25 A.R.S. § 20-461(A)(5).

26 6. By issuing a life insurance policy to the aunt of
27 a juvenile insured, without proof that she had an insurable
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1 interest in the life of the minor, National Old Line
2 violated A.R.S. §§ 20-1104(A) and 20-1107.

3 7. Grounds exist for the Director to revoke or
4 suspend National Old Line's Certificate of Authority.

5 8. Grounds exist for the entry of all other
6 provisions of the following order.

7 ORDER

8 National Old Line having admitted the jurisdiction of
9 the Director to enter the Order set forth herein, having
10 waived the Notice of Hearing and the hearing, having waived
11 any and all rights to appeal this Order, and having
12 consented to the entry of the Order set forth hereinafter,
13 and there being no just reason for delay:

14 **IT IS HEREBY ORDERED THAT:**

15 1. National Old Line shall cease and desist from
16 issuing any advertising materials, including Form 11959 R 9-
17 1-90, which allege a guaranteed benefit without stating how
18 the benefit is calculated or that it is not available to all
19 insureds under the policy; from failing to acknowledge
20 notification of claims within ten (10) working days of their
21 receipt; from failing to notify insureds of the acceptance
22 or denial of claims within fifteen (15) working days of
23 receipt of properly executed proofs of loss; and from
24 participating in the replacement of life insurance without
25 complying with the provisions of A.A.C. R4-14-215.

26 2. Within thirty (30) days of the filing date of this
27 Order, National Old Line shall file with the Director an
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1 action plan, to include a bulletin acceptable to the
2 Director, for training all agents representing National Old
3 Line in Arizona as to the legal requirements for replacement
4 of life insurance, including the provisions of A.A.C. R4-14-
5 215.

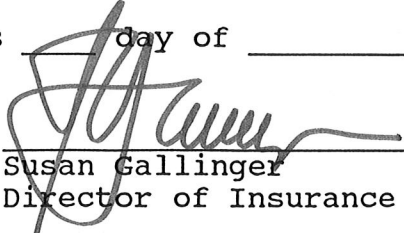
6 3. National Old Line shall develop a written action
7 plan to monitor and ensure that its personnel process claims
8 in accordance with A.R.S. §§ 20-461, 20-462, and A.A.C. R4-
9 14-801. National Old Line shall submit copies of the action
10 plan to the Director for approval within thirty (30) days of
11 the filed date of this Order.

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

16 5. National Old Line shall pay a civil penalty of TWO
17 THOUSAND DOLLARS (\$2,000) 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 \$2,000 shall be
20 provided to the Hearing Division of the ADOI on or before
21 July 15, 1993.

22 6. The Report of Market Conduct Examination as of
23 December 31, 1990, to include the objections to the Report
24 by National Old Line, shall be filed with the ADOI.

1 DATED at Phoenix, Arizona this _____ day of _____, 1993.

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3 
4 Susan Gallinger
5 Director of Insurance

6 CONSENT TO ORDER

7 1. Respondent, National Old Line Insurance Company,
8 has reviewed the foregoing Order.

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

14 3. Respondent admits the jurisdiction of the Director
15 of Insurance, State of Arizona, and consents to the entry of
16 this Order.

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

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

27 6. _____ JOAN M. BAKER _____ represents that
28 as _____ VICE PRESIDENT _____ she is an officer of PFL

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Life Insurance Company, and that as such, he has been authorized by it to enter into this Order for and on its behalf.

Dec. 13, 1993
(Date)

John M. Baker
PFL LIFE INSURANCE COMPANY

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**COPY of the foregoing mailed/delivered
this 20th day of December , 1993, to:**

Katrina Rogers
Chief Hearing Officer
Deloris E. Williamson
Assistant Director
Rates & Regulations Division
*Saul R. Saulson
Examinations Supervisor
Rates & Regulations Division
Mary Butterfield
Life and Disability Supervisor
Rates & Regulations Division
Maureen Catalioto
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