

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

**In the Matter of  
LIFE INSURANCE COMPANY  
OF NORTH AMERICA  
NAIC # 65498**

)  
)  
)  
)

**Docket No.: 72831-CO**

**CONSENT AGREEMENT AND FINAL ORDER  
(Pursuant to K.S.A. 40-222 and K.S.A. 77-537)**

The Kansas Insurance Department (“KID”) and Life Insurance Company of North America (“LINA”) submit this Consent Agreement and Final Order. LINA hereby waives any and all rights to further administrative adjudication or review of this matter, including any and all rights conferred upon it under K.S.A. 40-2407 and 77-501 *et seq.* Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Ken Selzer, the duly elected, qualified and serving Commissioner, hereby adopts this agreement and finds and Orders as follows:

**Stipulated Findings of Fact**

The parties stipulate that if a hearing were conducted in this matter, the following evidence could be offered by the Commissioner, and although neither admitted nor denied by Respondent, would be recognized as admissible to show the following:

1. LINA is domiciled in Pennsylvania and has been authorized in Kansas since 1958.
2. As a result of recent findings by other states, KID commenced a market conduct inquiry of disability policies issued to Kansas residents.
3. A review of claim data from 2017 and 2018 year-to-date, revealed LINA had failed to acknowledge receipt of appeals within 10 working days in 10 instances.
4. Additionally, during the same period, LINA failed to send claim status letters in 30 day intervals in 10 different instances.
5. LINA provide incomplete or incorrect data during the course of the investigation, causing delays in the examination process.

6. Company was provided a copy of the examiner's findings and responded with comments, which are reflected in this consent agreement.

### Applicable Law

1. K.S.A. 40-222 provides, in part:

(a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

...

(c) For the purpose of such examination, the commissioner of insurance or the persons appointed by the commissioner, for the purpose of making such examination shall have free access to the books and papers of any such company that relate to its business and to the books and papers kept by any of its agents and may examine under oath, which the commissioner or the persons appointed by the commissioner are empowered to administer, the directors, officers, agents or employees of any such company in relation to its affairs, transactions and condition.

2. K.S.A. 40-2,125 provides, in part

(a) If the commissioner determines after notice and opportunity for a hearing that any person has engaged or is engaging in any act or practice constituting a violation of any provision of Kansas insurance statutes or any rule and regulation or order thereunder, the commissioner may in the exercise of discretion, order any one or more of the following:

(1) Payment of a monetary penalty of not more than \$1,000 for each and every act or violation, unless the person knew or reasonably should have known such person was in violation of the Kansas insurance statutes or any rule and regulation or order

thereunder, in which case the penalty shall be not more than \$2,000 for each and every act or violation;

(2) suspension or revocation of the person's license or certificate if such person knew or reasonably should have known that such person was in violation of the Kansas insurance statutes or any rule and regulation or order thereunder; or

(3) that such person cease and desist from the unlawful act or practice and take such affirmative action as in the judgment of the commissioner will carry out the purposes of the violated or potentially violated provision.

(b) If any person fails to file any report or other information with the commissioner as required by statute or fails to respond to any proper inquiry of the commissioner, the commissioner, after notice and opportunity for hearing, may impose a civil penalty of up to \$1,000, for each violation or act, along with an additional penalty of up to \$500 for each week thereafter that such report or other information is not provided to the commissioner.

3. K.S.A. 40-2404 provides, in part: **The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance: ...**

(9) Unfair claim settlement practices. It is an unfair claim settlement practice if any of the following or any rules and regulations pertaining thereto are: (A) Committed flagrantly and in conscious disregard of such provisions, or (B) committed with such frequency as to indicate a general business practice...

(b) failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies;

(c) failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies...

4. K.A.R. 40-1-34 provides, in part:

Section 6. Failure to Acknowledge Pertinent Communications

Every insurer, upon receiving notification of a claim shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer...

An appropriate reply shall be made within ten working days on all other pertinent communications from a claimant which reasonably suggest that a response is expected.

#### Section 7. Standards for Prompt Investigation of Claim

Every insurer shall complete investigation of a claim within thirty days after notification of claim, unless such investigation cannot reasonably be completed within such time.

5. K.S.A. 40-2407 provides:

(a) If, after such hearing, the commissioner shall determine that the person charged has engaged in an unfair method of competition or an unfair or deceptive act or practice, the commissioner shall render an order requiring such person to cease and desist from engaging in such method of competition, act or practice and if the act or practice is a violation of K.S.A. 40-2404, and amendments thereto, the commissioner may in the exercise of discretion order any one or more of the following:

(1) Payment of a monetary penalty of not more than \$1,000 for each and every act or violation, but not to exceed an aggregate penalty of \$10,000, unless the person knew or reasonably should have known such person was in violation of this act, in which case the penalty shall be not more than \$5,000 for each and every act or violation, but not to exceed an aggregate of \$50,000 in any six-month period.

#### **Conclusions of Law**

Based on the Findings of Fact enumerated in Paragraphs #1 through #6 and the applicable law cited above, **THE COMMISSIONER OF INSURANCE MAKES THE FOLLOWING ORDERS:**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222, 40-2,125, and 40-2407.

2. LINA shall pay a fine for stated violations of Kansas Law, including providing incorrect information to examiners.
3. LINA neither admits nor denies the violations noted above.

**Orders**

Based on the Findings of Fact, Applicable and conclusions cited above, **IT IS ORDERED BY THE COMMISSIONER OF INSURANCE:**

1. LINA shall pay a monetary penalty of \$ 3,000 for the above stated violations of Kansas Law.
2. The Commissioner shall retain jurisdiction over this matter to issue any orders deemed necessary.
3. LINA neither admits nor denies the violations noted above.

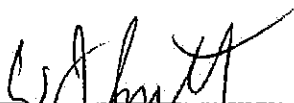
IT IS SO ORDERED THIS 3<sup>rd</sup> DAY OF July, 2018, IN THE CITY OF TOPEKA, STATE OF KANSAS.



BY:

*Diane Minear*  
Diane Minear  
General Counsel

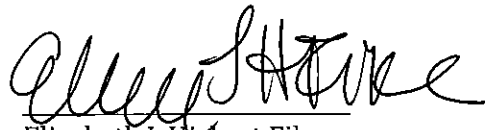
APPROVED BY:

  
\_\_\_\_\_  
William J. Smith, President  
Life Insurance Company of North America  
1601 Chestnut St.- Two Liberty  
Philadelphia, PA 19192

**Certificate of Service**

The undersigned hereby certifies that she served a true and correct copy of the above and foregoing **Consent Order** on this 3rd day of July, 2018, by email addressed to the following:

William J. Smith  
C/O Tammy Cook  
Life Insurance Company of North America  
1601 Chestnut St. - Two Liberty  
Philadelphia, PA 19192  
tammy.cook@cigna.com

A handwritten signature in black ink, appearing to read "Elizabeth J. Hickert Fike", written over a horizontal line.

Elizabeth J. Hickert Fike  
Staff Attorney