

STATE OF MAINE
BUREAU OF INSURANCE

In re: HOUSEHOLD LIFE INSURANCE
COMPANY

CONSENT AGREEMENT

Docket No. INS-10-217

INTRODUCTION

This document is a Consent Agreement authorized by 10 M.R.S.A. § 8003(5)(B) and entered into by and among Household Life Insurance Company ("Household"), a Michigan corporation licensed to do business in Maine; the Superintendent of the Maine Bureau of Insurance; and the Maine Office of the Attorney General. Its purpose is to resolve, in lieu of an adjudicatory proceeding, a violation of the Maine Insurance Code for which the Superintendent may impose discipline, including license revocation, pursuant to 24-A M.R.S. § 1417.

FACTS

1. Maine resident S.L. had a credit disability policy with Household entitling S.L. to the payment by Household of an installment loan in the event of S.L.'s disability during the term of her policy.
2. On or around July 17, 2007, Household received a claim form from S.L. On or around July 23, 2007, after review of the claim form, Household mailed S.L. a letter requesting that she provide a doctor's letter indicating the date on which S.L.'s disability began, the specific injury code for the disability, and a signature or office stamp from the doctor verifying the requested information. Receiving no response, Household, sent S.L. letters repeating requests for information, on August 22, 2007, December 11, 2007, January 10, 2008, and October 23, 2008. In the August 22 letter, Household advised S.L. that it was closing her claim.
3. In or about February 2009, S.L. received notice that her creditor, a company related to Household, had placed a lien on her property.
4. After receiving a complaint from S.L. in May 2009, the Bureau of Insurance commenced an investigation of Household's failure to pay S.L.'s claim. Household responded to inquiries from the Bureau by submitting copies of letters sent to S.L.

5. Beginning in June 2009, Household made several attempts to reach S.L.'s nurse practitioner, requesting information about S.L.'s claim. It obtained requested information in August 2009 and validated S.L.'s claim.

6. On August 31, 2009, Household paid S.L.'s creditor \$10,261.26 due pursuant to S.L.'s policy.

7. In February 2010, the Attorney General contacted Household about this matter. Household informed the Attorney General that it had not paid interest on S.L.'s claim. Household informed the Attorney General that it needed to obtain an executed federal tax form W-9 as a prerequisite to payment of interest on S.L.'s claim.

8. On April 9, 2010, after obtaining an executed W-9 form from S.L., Household paid \$5,176.09 in interest due on her claim from July 17, 2007 through August 28, 2009 at the rate of 1.5% per month.

9. Household admits that its claims department did not conduct a sufficiently vigorous investigation following up with S.L. after receiving no response to its August 22, 2007 letter and/or contacting S.L.'s treating physician more promptly. Household admits that, as a result of the failure to make sufficiently vigorous efforts, payment of S.L.'s claim and payment of interest on S.L.'s claim were inappropriately late.

APPLICABLE LAW

10. Title 24-A M.R.S.A. § 2436 provides that "[a]claim for payment of benefits under a policy or certificate of insurance delivered or issued for delivery in this State is payable within 30 days after proof of loss is received by the insurer and ascertainment of the loss is made either by written agreement between the insurer and the insured or beneficiary or by filing with the insured or beneficiary of an award by arbitrators as provided for in the policy. . . . If, during the 30 days, the insurer, in writing, notifies the insured or beneficiary that reasonable additional information is required, the undisputed claim is not overdue until 30 days following receipt by the insurer of the additional required information." For a claim payment improperly withheld, an insurer is liable to its insured for interest of 1.5% per month.

11. Title 24-A M.R.S.A. § 2164-D prohibits unfair claims practices including
(a) refusing to pay a claim without conducting a reasonable investigation, and
(b) unreasonably delaying an investigation or payment of a claim.

12. Title 24-A M.R.S.A. § 2152 makes it a violation of law to engage in an unfair act or practice in the business of insurance.

VIOLATIONS OF LAW

13. Household admits that its conduct admitted in ¶ 9 above violated 24-A M.R.S.A. § 2152. The Superintendent finds that Household violated 24-A M.R.S.A. §§ 2152, 2436, and 2164-D.

COVENANTS

14. Within 14 days after the execution of this Consent Agreement, Household shall remit to the Bureau a civil penalty in the amount of \$50,000.00 payable to the Treasurer of the State of Maine.

15. Within 45 days of the execution of this Consent Agreement, Household shall provide to the Bureau the documents and information listed in Attachment A hereto. Household shall provide the required information in the format specified in Attachment A.

16. Parties to this Consent Agreement understand that nothing herein shall affect any rights or interest that any person not a party to this Agreement may possess.

17. In the event that Household fails to produce the documents listed in Attachment A, Household shall be subject to a monetary penalty of \$50,000.00, in addition to any other sanction available under the law.

18. This Consent Agreement does not preclude the State of Maine or any of its agencies from seeking in any forum any remedy for illegal conduct by Household other than the conduct admitted in this Consent Agreement with respect to S.L., the sole remedy for which is set forth herein.

19. This Consent Agreement is enforceable by an action in Maine Superior Court.

20. This Consent Agreement is not subject to appeal.

21. This Consent Agreement may be modified only by a written agreement executed by all of the signatories hereto.

22. This Consent Agreement is a public record subject to the provisions of the Maine Freedom of Access Law, 1 M.R.S.A. §§ 401 through 410, will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408, and will be reported to the National Association of Insurance Commissioners' "RIRS" database.

23. By the duly-authorized signature of its representative on this Consent, Household indicates that it has consulted with counsel before signing the Agreement, that it has knowingly and voluntarily decided to proceed in this matter, that it understands the Agreement, and that it enters into the Agreement voluntarily and without coercion of any kind from any person.

SIGNATURES

HOUSEHOLD

By:Patrick A. Cozza
(printed name)
Its:President/CEO

Dated: May 20, 2010

State of New Jersey, Hudson County, ss.

Subscribed and sworn to before me

this 20 day of May, 2010. Notary Public
Brenda L. Fabula
(printed name)

My commission expires Nov. 2, 2015

THE MAINE SUPERINTENDENT OF INSURANCE

Dated: June 10, 2010

Mila Kofman, Superintendent

OFFICE OF THE MAINE ATTORNEY GENERAL

Dated: May 24th, 2010

James M. Bowie
Assistant Attorney General

ATTACHMENT A

- All available senior management organizational charts, for the last 6 years (provide in Power Point and/or PDF format)
- A listing of all changes in senior management with authority over claims procedures, for the last 6 years (provide in Word and/or Excel format)
- An attestation detailing all lawsuits and regulatory enforcement actions brought against Household in the last 6 years (provide in Excel format)
- A copy of all Claims Procedural Manuals used in the last 6 years (provide in Word format on an encrypted disk with changes highlighted)
- All available communications dealing with claims settlement policy between and/or among persons with authority over claims settlement policy, for the last 6 years (provide in PDF and/or Word format)

- Copies of all claims training materials used in the past 6 years (provide in PDF and/or Power Point format on a disk with a list of topics)
- Company training materials reflecting how claim numbers are assigned (provide in Power Point and/or Word format)
- A PIF (policy in force) count by year and product line, for Maine for the last 6 years (provide in Excel format)
- A loss run by year and product line, for Maine for the last 6 years (provide in Excel format)
- A claim disposition run by year and product line, for Maine for the last 6 years (provide in Excel format)
- Copies of all internal communications dealing with the handling of S.L.'s claim (couched in terms calculated to generate the complete claim file/running notes, management instructions, non-privileged direction from counsel, the company's response to past inquiries) (provide in PDF, Power Point and/or Word format)
- For Maine for the last 6 years, all available annual loss ratios, expense ratios by product line (provide in Excel format)