

IN RE: THE UNITED STATES) **CONSENT AGREEMENT**
LIFE INSURANCE COMPANY) **BUREAU OF INSURANCE**
) **DOC NO. MCINS 99 - 25**

This document is a Consent Agreement, authorized by 5 M.R.S.A. § 9053(2) entered into by and among The United States Life Insurance Company (hereafter "US Life") and the Superintendent of the Maine Bureau of Insurance (hereafter also "the Superintendent"). Its purpose is to resolve, without resort to an adjudicatory proceeding, violations of Bureau of Insurance Rule Chapter 850 as set forth below.

FACTS

1. The Superintendent is the official charged with administering and enforcing Maine's insurance laws and regulations.
2. US Life has been a licensed life and health insurance company, License # LHF654, since 1954.
3. Consumer was hired by his employer on August 25, 1997. One year later, on August 27, 1998, he enrolled in the US Life group insurance plan.
4. Under the insurance plan Consumer was required to be a full time employee for 3 months before becoming eligible to enroll with the Dental Plan. At the end of 3 months of employment, employees have a 31 day open enrollment period. Employees who enroll after the 31 day open enrollment period are classified as "late entrants."
5. On November 26, 1997, Consumer had been employed for three months and was eligible to enroll with the Dental Plan. Consumer did not enroll in the plan until August 27, 1998, nine months later. Consumer was therefor classified as a "late entrant" under the policy.
6. Consumer's policy provides that no benefits for basic dental services will be paid for a "late entrant" until the enrollee has been insured for six months.

7. Consumer submitted three claims for dental services rendered during November and December of 1998, less than six months after enrolling in the Dental Plan. All three claims were denied by US Life with the explanation that the services were not covered due to the late entrant provisions in Consumer's plan.
8. On March 15, 1999, Consumer sent US Life a letter of appeal, which stated in part:

I am appealing this decision due to the fact I was not informed of the specific "waiting periods" that a late entrant must meet. When I signed up for this coverage I did not receive any type of informative paperwork that you usually receive when purchasing insurance, that might have explained these waiting periods in time. The only things I did receive were my laminated dental card and a self-adhesive "certificate" that tells you to "read it carefully" because it supposedly will explain all your benefits and the specifics. It only mentions "Benefits subject to late entrant limitation" which your operator told me is printed on all of these certificates. It does not mention anywhere "waiting periods."

9. On April 16, 1999, US Life sent Consumer an adverse first level appeal decision, which stated in relevant part:

We are in receipt of your appeal letter dated March 15, 1999.

According to our record, you are a late entrant. This is noted on your certificate. A late entrant means a person who:

- Becomes insured more than 31 days after he is eligible: or*
- Becomes insured again after his insurance ended due to non-payment of premium.*

The late entrant penalties are as follows:

- 6 months for basic services*
- 12 months for major services*

The above information can be found in your benefit booklet under "covered charges-limitations-late entrants".

We are unable to allow benefits for services until the claimant has satisfied the late entrant penalty period.

We are sorry our decision could not have been more favorable, but we must adhere to the terms of the policy.

10. Rule 850(9)(C)(1)(b)(ii, v-vi) requires that if a decision in a first level appeal is adverse to the covered person, the written decision shall contain:

(ii) A statement of the reviewers' understanding of the covered person's grievance and all pertinent facts.

(v) Notice of the covered person's right to contact the Superintendent's office, along with the Bureau's toll free number and address.

(vi) A description of the process to obtain second level grievance review of a decision, the procedures and time frames governing a second level grievance review, and the rights specified in subsection D(3)(c).

11. On May 5, 1999, Consumer filed a formal complaint with the Maine Bureau of Insurance, Complaint No. 1999505492. The complaint stated, in relevant part:

After 1 yr. of employment with [employer] I enrolled in their dental plan (group). I was not informed that because I had waited 1 yr. I was a "late entrant" and must wait 6 months for basic care and 1 yr. for major surgery. After I had my fillings and the dentist filed the claim I received an "explanation of benefits" that stated the service would not be covered...I appealed the decision to the U.S. Life Ins. Company which is when I received a letter from [the company] telling me the "late entrant" explanation can be found in the "benefit booklet". The reason I appealed their decision was because I never received a "benefit booklet" or any info. on my insurance telling me I had a "waiting period". I almost believe [the company] never read my letter of appeal or she would have known this.

12. On June 24, 1999, US Life wrote to the Bureau of Insurance advising that it is the responsibility of the employer's plan administrator to distribute benefit booklets. The June 24th letter stated in part:

When the group becomes effective with United States Life Policy, we issue to the Plan's administrator a group insurance plan administrator's guide along with ID cards, certificates, claim forms and benefit booklets for the original employees and new employees. The Administrator Guide explains when and how to order supplies. It is the Administrator's responsibility to order supplies when needed. In the last six months we did not receive a request from the administrator to sent more supplies. therefor, if [Consumer] did not receive a benefit booklet he should contact his administrator.

CONCLUSIONS OF LAW

13. As described in paragraphs 9 and 10 above, US Life's April 16, 1999 adverse appeal notice violated Rule 850(9)(C)(1)(b)(ii) by failing to include a statement of the reviewers' understanding of the covered person's grievance and all pertinent facts. This Rule requires insurance carriers to acknowledge and address the specific arguments and fact set forth in the Consumer's appeal. In this instance the appeal decision should have acknowledged and addressed Consumer's statement that he was not informed about the "late entrant" provisions in the plan, which was the core issue on appeal. Consumer's appeal did not dispute the existence of the terms of coverage relied upon by US Life in its adverse appeal determination.
14. As described in paragraph 10 above, US Life's April 16, 1999 adverse appeal notice violated Rule 850(9)(C)(1)(b)(v) by failing to include a notice of the covered person's right to contact the Superintendent's office, along with the Bureau's toll free number and address.
15. As described in paragraph 10 above, US Life's April 16, 1999 adverse appeal notice violated Rule 850(9)(C)(1)(b)(vi) by failing to include a description of the process to obtain second level grievance review of a decision, the procedures and time frames governing a second level grievance review, and the rights specified in Rule 850(9)(D)(3)(c).

COVENANTS

16. A formal hearing in this matter is waived and no appeal will be made.
17. At the time of executing this Agreement, US Life will pay to the Maine Bureau of Insurance a civil penalty in the amount of six thousand dollars (\$6,000), payable to the Treasurer of the State of Maine.
18. In consideration of US Life's execution of and compliance with the terms of this Consent Agreement, the Superintendent agrees to forgo pursuing any disciplinary measures or other civil sanction for the actions described above other than those agreed to in this Consent Agreement.

MISCELLANEOUS

19. This Consent Agreement may only be modified by the written consent of the parties.
20. It is understood by the parties to this Agreement that nothing herein shall affect any rights or interests that any person not a party to this Agreement may possess.
21. US Life acknowledges that this Consent Agreement is a public record within the meaning of 1 M.R.S.A. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408.
22. US Life has been advised of its right to consult with counsel and has, in fact, consulted with counsel before executing this Agreement.

For: United States Life Insurance Company

Dated: _____, 1999

By: _____

Signature

For: _____

Typed Name

Typed Title

this _____ day of _____, 1999.

Notary Public

FOR THE BUREAU OF INSURANCE

Dated: _____, 1999

Alessandro A. Iuppa
Superintendent of Insurance

STATE OF MAINE
KENNEBEC, SS.

Subscribed and sworn to before me
this _____ day of _____, 1999.

Notary Public/Attorney-at-Law

FOR THE MAINE ATTORNEY GENERAL

Dated: _____, 1999

Judith Shaw Chamberlain
Assistant Attorney General