

STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. INS-17-0059

LIFE INSURANCE COMPANY OF  
NORTH AMERICA

Respondent.

ORDER TO CEASE AND DESIST,  
FINAL ORDER ASSESSING CIVIL  
PENALTY AND CONSENT TO  
ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”) conducted an investigation of LIFE INSURANCE COMPANY OF NORTH AMERICA (“LINA”) and determined that LINA engaged in activities in violation of Oregon Revised Statutes (“ORS”) 746.230(1)(b) and Oregon Administrative Rules (“OAR”) 836-080-0225(3) for failing to acknowledge and act promptly upon communications relating to claims.

LINA wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, LINA hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. LINA has been licensed in Oregon as a foreign insurer since August 5, 1957 with national producer number 65498. LINA’s principal place of business is Two Liberty Place TL18A, 1601 Chestnut Street, Philadelphia, PA 19192-2362.
2. On January 5, 2016, an insured, C.G., with LINA was denied a Long Term Disability (“LTD”) claim.
3. On April 20, 2016, LINA received a letter of appeal from C.G. with additional

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1 medical documentation.

2 4. On June 22, 2016, LINA sent C.G. a letter of acknowledgement of receiving  
3 the requested appeal.

4 5. In a letter dated June 23, 2016, LINA admitted to the Division of Financial  
5 Regulation (“Division”) that C.G.’s appeal had not been forwarded to LINA’s Disability  
6 Appeals Team for review until June 21, 2016.

7 6. After reviewing the medical documentation included in C.G.’s appeal, LINA  
8 overturned its denial and provided disability benefit payments in the amount of  
9 \$12,543.80.

10 7. On August 7, 2015, an insured, R.S., with LINA was denied a Long Term  
11 Disability (“LTD”) claim.

12 8. On December 14, 2015, LINA received additional medical information from  
13 R.S.’s attorney.

14 9. LINA had no communication with R.S. or her attorney until the Division  
15 requested information about the appeal on August 19, 2016.

16 10. R.S. and her attorney were contacted by LINA on August 31, 2016 and  
17 explained that the LTD claim was not forwarded to LINA’s Disability Appeals Team for  
18 review because the December 14, 2015 letter did not specifically request an appeal.

19 11. In a letter dated September 6, 2016, LINA admitted to the Division that R.S.’s  
20 appeal had not been forwarded to the disability appeals team for review until August 31,  
21 2016.

22 12. After reviewing the medical documentation included in R.S.’s appeal, LINA  
23 overturned its denial and provided disability benefit payments in the amount of  
24 \$84,150.00.

25 CONCLUSIONS OF LAW

26 The Director CONCLUDES that:

1 13. Under ORS 746.230(1)(b), no insurer shall commit or perform the unfair  
2 claim settlement practice of failing to acknowledge and act promptly upon  
3 communications relating to claims. LINA violated ORS 746.230(1)(b) by failing to  
4 respond to the correspondence of C.G. and R.S.

5 14. Under OAR 836-080-0225(3), an insurer shall make an appropriate reply, not  
6 later than the 30th day after receipt, to all other pertinent communications about a claim  
7 from a claimant that reasonably indicate a response is expected. LINA violated OAR  
8 836-080-0225(3) by failing to respond to communications from C.G. and R.S. within 30  
9 days.

10 15. Under ORS 731.988(1) the Director may impose a civil penalty of up to  
11 \$10,000 *per violation* upon any person who violates a provision of the Insurance Code.

12  
13 **ORDERS**

14 Now therefore, the Director issues the following Orders:

15 16. As authorized by ORS 731.252(1), the Director Orders LINA to CEASE AND  
16 DESIST from violating any provision of the Oregon Insurance Code or the administrative  
17 rules promulgated thereunder.

18 17. Based upon the foregoing and in accordance with ORS 731.988(1), the  
19 Director ORDERS a CIVIL PENALTY of \$20,000 for failing to acknowledge and act  
20 promptly upon communications relating to claims.

21 18. The Director agrees to SUSPEND the collection of \$10,000 of the \$20,000  
22 CIVIL PENALTY assessed herein upon the condition that LINA commits no new  
23 violations of the Oregon Insurance Law or any administrative rules adopted thereunder.

24 19. If LINA complies with all of the terms and conditions set out in this Order and  
25 commits no violations of the Oregon Insurance Code during the three year period from  
26 the date of issuance of this Order, the Director hereby agrees to WAIVE the \$10,000

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1 suspended CIVIL PENALTY.

2 20. The Director reserves the right to immediately assess and collect the \$10,000  
3 suspended CIVIL PENALTY upon a determination that LINA has violated any term of  
4 this Order, in accordance with Oregon Administrative Procedures Act, ORS Chapter 183.

5 21. The remaining portion of the CIVIL PENALTY assessed against LINA in the  
6 amount of \$10,000 is due and payable to the Department of Consumer and Business  
7 Services at the time this Order is returned to the Division.

8 22. This ORDER is a Final Order under ORS 183.310(6)(b). Subject to that  
9 provision, the entry of this Order does not limit other remedies that may be available to  
10 the Director under Oregon law.

11  
12 SO ORDERED this 24<sup>th</sup> day of August, 2017.

13 PATRICK M. ALLEN, Director  
14 Department of Consumer and Business Services

15 /s/ David Tatman  
16 David C. Tatman, Chief of Enforcement  
17 Division of Financial Regulation

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1 ENTITY CONSENT TO ENTRY OF ORDER

2 I, \_\_\_\_\_, state that I am an officer of Life Insurance  
3 Company of North America and I am authorized to act on its behalf. I have read the  
4 foregoing order, and I know and fully understand the contents hereof. I have been  
5 advised of the right to a hearing and of the right to be represented by counsel in this  
6 matter. Life Insurance Company Of North America voluntarily and without any force or  
7 duress consents to the entry of this order expressly waiving any right to a hearing in this  
8 matter Life Insurance Company Of North America understands that the Director  
9 reserves the right to take further actions to enforce this order or to take appropriate  
10 action upon discovery of other violations of the Oregon Insurance Code. Life Insurance  
11 Company of North America will fully comply with the terms and conditions stated  
12 herein.

13 Life Insurance Company of North America understands that this order is a public  
14 document.

15 LIFE INSURANCE COMPANY OF NORTH AMERICA

16  
17 /s/ William Smith  
Signature

18 State of Pennsylvania

19 County of Allegheny

20  
21 There appeared before me on this 15<sup>th</sup> day of August, 2017,

22 William Smith who was first duly sworn on oath, and  
23 stated that he/she was and is an officer of Life Insurance Company Of North America and  
24 that he/she is authorized and empowered to sign this Consent to Entry of Order on behalf  
of Life Insurance Company Of North America and to bind Life Insurance Company Of  
North America to the terms hereof.

25 /s/ Boris Mezhinsky  
26 Notary Public

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