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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA  
SAN FRANCISCO**

In the Matter of the  
Certificates of Authority of

UNUM LIFE INSURANCE COMPANY  
OF AMERICA,

PROVIDENT LIFE AND ACCIDENT  
INSURANCE COMPANY, and

THE PAUL REVERE LIFE INSURANCE  
COMPANY,

Respondents.

CALIFORNIA SETTLEMENT AGREEMENT

File No. DISP05045984

File No. DISP05045985

File No. DISP05045986


TO THE DEPARTMENT OF INSURANCE OF THE STATE OF CALIFORNIA:

**I.  
INTRODUCTION**

Respondents UNUM LIFE INSURANCE COMPANY OF AMERICA (“Unum”),  
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY (“Provident”), and THE  
PAUL REVERE LIFE INSURANCE COMPANY (“Paul Revere”) (all three collectively,  
“Respondents”), and the California Department of Insurance (the “Department” ) do hereby enter  
into this California Settlement Agreement (“CSA”) in the above-entitled consolidated matters  
and stipulate as follows:

A. The Insurance Commissioner of the State of California (“Insurance  
Commissioner”) has jurisdiction over the each of the Respondents, as insurers holding

1 Certificates of Authority issued under the Laws of the State of California;

2 B. The Department conducted examinations into Respondents' rating, underwriting  
3 and claims practices, including one examination by its Field Rating and Underwriting Bureau  
4  covering the period January 1, 2002 to December 15, 2003, and two examinations by its Field  
5 Claims Bureau of Respondents' claim files as follows: an initial, routine examination which  
6 included a review of Respondents' claims handling practices during the period February 1, 2001  
7 through January 31, 2002, and a targeted review of open and closed long term disability claim  
8 files covering the period January 1, 2000 through June 30, 2003. In addition, the Department  
9 surveyed recent court cases, interviewed certain individuals, reviewed evidence and testimony in  
10 civil cases, reviewed individual Requests for Assistance submitted to the Department by  
11 Respondents' claimants, and conducted other investigative activities. The CSA constitutes the  
12 resolution of the Department's investigation, which includes all of the above;

13 C. Respondents acknowledge receipt of a copy of the Accusation issued by the  
14 Department ("Accusation") in the above entitled matter, but deny the allegations contained  
15 therein;

16 D. This CSA is made solely for the purpose of reaching a compromise settlement,  
17 without litigating the issues, and it is the intent of the parties that any conduct or statements made  
18 in negotiation hereof, including this CSA, shall be inadmissible for any purpose in any  
19 proceeding unrelated to enforcement of the terms of this CSA;

20 E. Respondents neither admit nor concede any actual or potential fault, wrongdoing  
21 or liability in connection with allegations contained in the Accusation or any of the findings of  
22 the Insurance Commissioner ("Findings") set forth in his Order of the Commissioner;

23 F. Respondents acknowledge that certain of the allegations contained in the  
24 Accusation, if heard and proved, could constitute grounds for the Insurance Commissioner to  
25 suspend Respondents' certificates of authority and licenses pursuant to the Insurance Code of the  
26 State of California ("Insurance Code");

27 G. Respondents acknowledge that certain of the allegations contained in the  
28 Accusation as to claims handling, if heard and proved, could constitute grounds for the Insurance

1 Commissioner to impose civil penalties and to issue an Order to Cease and Desist from engaging  
2 in those methods, acts, or practices found to be unfair or deceptive pursuant to the provisions of  
3 the Insurance Code, which are referred to in the *Public Report of the Market Conduct*  
4 *Examination of the Department of Insurance, Market Conduct Division, Field Claims Bureau*  
5 (*“Public Report”*), incorporated in its entirety by reference herein. **{Please see link on**  
6 **“UnumProvident Settlement” page on CDI website.}**

7 H. Respondents agree that the imposition of civil penalties and the award of costs of  
8 investigation and future enforcement provided for herein shall have the same force and effect as  
9 if imposed after a hearing or hearings held pursuant to the relevant provisions of the Insurance  
10 Code and Government Code of the State of California (“Government Code”).

11 I. By entering into this CSA, Respondents waive Notice of Hearing and hearing, and  
12 all other rights which may be accorded pursuant to Chapter 5, Part 1, Division 3, Title 2  
13 (Sections 15000-11528, inclusive) of the Government Code and by the Insurance Code with  
14 regard to the matters agreed to and settled herein.

## 15 16 II.

### 17 DEFINITIONS

18 The following terms, for purposes of the CSA and as used herein, are defined as follows,  
19 unless otherwise specifically defined herein. This CSA contains definitions other than these set  
20 forth in this Section II.

21 A. "California Claimant" for purposes of Section III of the CSA shall mean a  
22 California Early Period Claimant or California Later Period Claimant; otherwise California  
23 Claimant shall be an insured of a Respondent in circumstances where California law is the  
24 applicable law governing the insurance policy covering the insured or the claims handling  
25 standards and procedures with respect to the insured.

26 B. "California Contract" for the purposes of Section IV and V of this CSA shall  
27 mean a policy of disability income insurance issued by a Respondent which is subject to the  
28 jurisdiction of and approved by the Department.

1 C. "California Early Period Claimant" shall mean any California resident whose  
2 individual or group long term disability income claim was denied or whose benefits were  
3 terminated by any one of the Respondents on or after January 1, 1997 and before January 1,  
4 2000.

5 D. "California Later Period Claimant" shall mean any California resident whose  
6 individual or group long term disability income claim was denied or whose benefits were  
7 terminated by any one of the Respondents on or after January 1, 2000 and prior to September 30,  
8 2005. This shall include California residents who already have elected to participate in the RSA  
9 Reassessment, and California residents who are eligible and elect to participate in the CSA  
10 Reassessment.

11 E. "CSA Effective Date" shall mean the date of the Order of the Commissioner  
12 adopting the CSA and shall apply to all sections of this CSA except for the following sections  
13 which shall be effective on November 1, 2005:

14 1. Section V.C.

15 2. Section V.D.

16 F. "CSA Implementation Date" shall mean a date which is thirty (30) days after the  
17 CSA Effective Date.

18 G. "CSA Notice" shall mean the notice of availability of the CSA Reassessment that  
19 is to be sent to California Claimants pursuant to the provisions of the CSA.

20 H. "CSA Reassessment" shall mean the reassessment process as conducted under the  
21 standards established in the CSA, and may include standards incorporated by reference to the  
22 RSA and those established by Respondents when those non-CSA standards do not conflict with  
23 the CSA standards.

24 I. "Order of the Commissioner" shall mean the Decision and Order of the Insurance  
25 Commissioner on Settlement relating to the CSA, which is attached hereto as **Exhibit "A"** and  
26 which Order of the Commissioner is executed simultaneously with the execution of the CSA.

27 J. "RSA Notice" shall mean the notice of availability of the RSA Reassessment that  
28 was sent on a nationwide basis to claimants in all states pursuant to the provisions of the

1 Multistate Regulatory Settlement Agreement ("RSA").

2 K. "RSA Reassessment" shall mean the reassessment process as conducted solely  
3 under the standards established by Respondents pursuant to the RSA.

4  
5 **III.**

6 **MULTISTATE REGULATORY SETTLEMENT AGREEMENT**

7 **AND CSA REASSESSMENT**

8 **A. Relation Between the RSA and CSA**

9 On September 2, 2003, Maine, Massachusetts, and Tennessee, the Respondents'  
10 principal domiciliary states ("Domestic Regulators"), ordered a multistate targeted examination  
11 of the Respondents' claims handling practices ("multistate exam") to determine if the individual  
12 and group long term disability income claims handling practices of the companies reflected  
13 systemic "unfair claims settlement practices," as defined in the National Association of  
14 Insurance Commissioners (NAIC) *Unfair Methods of Competition and Unfair and Deceptive*  
15 *Acts and Practices in the Business of Insurance Model Act (1972)* or *NAIC Claims Settlement*  
16 *Practices Model Act (1990)*. Ultimately, the terms of the resolution thereof were documented in  
17 a Regulatory Settlement Agreement (RSA) with each of the Respondents, dated November 18,  
18 2004, each RSA identical to the other. A separate and virtually identical RSA was entered into  
19 with First Unum Life Insurance Company, an insurance company subsidiary domiciled in New  
20 York, and the New York Superintendent of Insurance.


21 Included in the RSA was a Plan of Corrective Action that included (1) changes in  
22 corporate governance, (2) the RSA Reassessment, and (3) changes in claim organization and  
23 procedures. Also included in the RSA were provisions for immediate and contingent payment of  
24 fines; certain administrative provisions regarding, among other things, participation in the RSA  
25 by those non-domestic states electing to participate; and notice to certain claimants nationwide  
26 that they may be eligible to have their claims reassessed.

27 The RSA Reassessment is available on a nationwide basis to certain long term disability  
28 insurance policyholders under individual policies and to certain long term disability insurance

1 certificate holders under group policies issued to their employers or organizations to which they  
2 belong. In addition to the Domestic Regulators, the United States Department of Labor (DOL) is  
3 a party to the RSA and has jurisdiction over the Respondents' group insurance plans pursuant to  
4 the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. Section 1134, which  
5 applies to group long term disability income insurance policies that are sponsored or endorsed by  
6 employers for their employees.

7 California elected not to participate in the RSA. However, in accordance with its terms  
8 and ERISA, California residents are entitled to participate in the RSA Reassessment.

9 Notwithstanding that California did not participate in negotiating or settling the multistate  
10 action, the RSA required nationwide notice to both group (employment- and non-employment-  
11 related) and individual claimants, including those in California, for reassessment of claims under  
12 standards set forth in the RSA. Thus when implementation of the provisions of the RSA began  
13 on January 19, 2005, RSA Notices began to be mailed to individual and group California Later  
14 Period Claimants. Many California Later Period Claimants responded by requesting  
15 reassessment of their claims.

16 Respondents agree that all California Claimants who elect to participate in the CSA  
17 Reassessment described below, and any California Later and Early Period Claimants who  
18 previously elected to participate in the RSA Reassessment, will be reassessed under the rules and  
19 procedures set forth in the CSA and the exhibits hereto. 

20 Incorporated herein by reference is the RSA for Unum, which includes the regulatory  
21 settlement agreement covering A. Recitals, B. Plan of Corrective Action, C. Other Provisions, D.  
22 Remedies, and Signature Pages, and exhibits to the RSA. **{Please see link on “UnumProvident  
23 Settlement” page on CDI website.}**

- 24 • Exhibit 1 – Claim Reassessment Process, Unit Structure and Operating Procedures
- 25 • Exhibit 2 – Changes in Claim Organization
- 26 • Exhibit 3 – Quality Compliance Consultant
- 27 • Exhibit 4 – Improved Procedures for Evaluating Multiple Conditions or Co-Morbid  
28 Conditions

- 1 • Exhibit 5 – UnumProvident Clinical, Vocational, and Medical Services Statement
- 2     Regarding Professional Conduct
- 3 • Exhibit 6 – Guidelines for Independent Medical Evaluations
- 4 • Exhibit 7 – Proof of Loss – Disability Claims

5     Except as specified below, the provisions of the RSA are adopted, incorporated by  
6 reference and made applicable to all three Respondents herein. Respondents hereby agree that  
7 they will comply with the provisions of the RSA except as supplemented or modified by the  
8 CSA and the Order of the Commissioner with respect to California Claimants.

9     **B.     Eligibility and Notice**


10     1.     Eligibility.

11     a. Any California Early Period Claimant or any California Later Period Claimant shall be  
12 eligible to participate in the CSA Reassessment whose claim was denied or whose benefits were  
13 terminated *for reasons other than* the following:

- 14     (i) death of the claimant,
- 15     (ii) claim was withdrawn,
- 16     (iii) claimant did not satisfy the elimination period,
- 17     (iv) maximum benefits were paid,
- 18     (v) claimant who had his or her claim resolved through litigation or settlement, or
- 19     (vi) claimant who has pending litigation against a Respondent challenging the denial or  
20 termination of his or her claim, which lawsuit was filed after the date of receipt of notice of the  
21 CSA Reassessment or a claimant whose lawsuit was filed prior to the date of receipt of notice of  
22 the CSA Reassessment in which lawsuit there has been a verdict or judgment on the merits prior  
23 to completion of the reassessment on the claim.


24     Eligibility for CSA Reassessment includes California Later Period Claimants who have  
25 already elected to participate pursuant to an effective election under the RSA and California  
26 Claimants who are eligible to participate under this provision and who make their election within  
27 the time period set forth in the notice provided under the CSA as set forth below.

1           b. Any California Early Period Claimant who is otherwise eligible under Section  
2 III.B.1.a. but is not entitled to receive notice from the Respondents under Section III.B.2. below,  
3 may request to have his or her claim reassessed under the CSA Reassessment so long as such  
4 request is made to the Respondents no later than June 30, 2006.

5           c. Any California Claimant who disputes on any rational basis a Respondent's  
6 characterization that such denial or termination falls into any of the reasons set forth in Section  
7 III.B.1.a. (i) through (iv) above may request to participate in the CSA Reassessment so long as  
8 such request is made to the Respondents no later than June 30, 2006. A Respondent's upholding  
9 of the characterization and consequent rejection of the claim from the CSA Reassessment shall be  
10 subject to the Independent Review (IR)  process described in Section III.C. of the CSA and  
11 **Exhibit "B"** hereto.

12           2.     Notice. - Respondents shall mail a CSA Notice in the form of **Exhibit "C"**  
13 regarding the CSA Reassessment no later than the CSA Implementation Date to any California  
14 Claimant who is eligible under Section III.B.1., above and who is either:

15           a. a California Later Period Claimant except for those who have already made a valid  
16 election to participate in the RSA Reassessment, in which case they shall not be sent a CSA  
17 Notice, although their claims shall be reassessed under provisions applicable to the CSA  
18 Reassessment, or

19           b.  California Early Period Claimant b. and such claimant's original claim was denied or  
20 terminated based upon the Respondent's interpretation of certain of California judicial decisions  
21 or Department positions impacting disability insurance benefits and the application of such  
22 decisions and positions to claims eligible for reassessment under this CSA.

23           3.     CSA Reassessment. Respondents will review the oldest claims of eligible  
24 California Claimants who have elected to participate in the CSA Reassessment first, taking into  
25 account the entire period from 1997 through September 30, 2005 as the appropriate period in  
26 which to consider what is oldest but also considering that submission and receipt of information  
27 necessary for the reassessment is an ongoing process so that the date when completed information  
28 is received is a relevant consideration in putting a re-submitted claim into the sequence for



1 review. It is also recognized that the RSA Reassessment involves review of the 2000 and later  
2 claims prior to review of any claims in the 1997-1999 period, whereas the schedule under this  
3 CSA requires consideration of the oldest first from 1997 through September 30, 2005.

4 Administration of the CSA Reassessment will review what is deemed oldest first under the RSA  
5 with what is deemed oldest first under this CSA for California Claimants by integrating the two  
6 beginning dates and the subsequent periods in a fair and equitable manner with neither being  
7 advantaged over the other while recognizing that the RSA Reassessment began several months  
8 earlier than the CSA Reassessment.

### 9 **C. Independent Review**

10 No later than one hundred and twenty (120) days of the CSA Effective Date, there shall  
11 be implemented an Independent Review (IR) process for review, at the request of the claimant,  
12 of any decision of Respondents' Claim Reassessment Unit (CRU) that upholds on reassessment,  
13 in whole or in part, an original claim decision either denying the claim or terminating the  
14 benefits of a California Claimant, as further documented in Exhibit "B", attached hereto.

15 The IR process also shall be available for appeal from a Respondent's decision upholding  
16 an original claim denial or benefit termination on (i) through (iv) grounds contained in Section  
17 III.B.1.(a) above, affecting availability of CSA Reassessment to a California Claimant.

18 An individual selected by mutual agreement by the Department and the Respondent shall  
19 be the IR Director, with the duties and responsibilities set forth in Exhibit "B." All costs of the  
20 IR process shall be paid by Respondents.

21 Respondents shall make the final decision in the CSA Reassessment as to whether the original  
22 decision is upheld, modified or reversed. The California Claimant shall have access to the claim  
23 file, including the Report of the Independent Reviewer, after the decision of the CRU is final, in  
24 the event he or she is dissatisfied with the decision of the CRU.

### 25 **D. Attending Physician's Opinion**

26 Respondent shall give significant weight to an attending physician's opinion, if the  
27 attending physician is properly licensed and the claimed medical condition falls within the  
28 attending physician's customary area of practice, unless the attending physician's opinion is not

1 well supported by medically acceptable clinical or diagnostic standards and is inconsistent with  
2 other substantial evidence in the record. In order for an attending physician's opinion to be  
3 rejected, the claim file must include specific reasons why the opinion is not well supported by  
4 medically acceptable clinical or diagnostic standards and is inconsistent with other substantial  
5 evidence in the record.

6 **E. Claimants Informed of Right to Request IME**

7 As part of the information advising a California Claimant how to submit a claim or early in  
8 the process of reviewing an open claim and, in any event, prior to any decision being made to  
9 deny a recently submitted claim or to close an open claim, California Claimants shall be  
10 informed in writing that it is their right or the right of their attending physician (either directly or  
11 through the claimant's representative) to request an "independent medical examination" ("IME")  
12 of their medical condition, unless the decision is made to pay or continue to pay the claim.

13 **F. Monitoring Compliance with the CSA**

14 1. Examinations. The Insurance Commissioner shall conduct examinations of the  
15 Claim Reassessment Unit's claim decisions and compliance with the other terms of the CSA,  
16 including changes made in claim handling practices and procedures contemplated by the CSA,  
17 all in the manner and at such intervals as he or she deems appropriate in accordance with the  
18 Insurance Code and Regulations. In connection with such examinations, the Insurance  
19 Commissioner shall have access to claim files and other paper and electronic records as  
20 authorized pursuant to Insurance Code and Regulations.

21 2. Information. Respondents shall provide the Insurance Commissioner on a  
22 quarterly basis with reports relating to the status of California Claimants who are eligible to  
23 participate and have elected to participate in the CSA and RSA Reassessments, including  
24 information concerning the results of reviews of the Claim Reassessment Unit and the use and  
25 results of the IR process.

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1 **IV.**

2 **CHANGES IN CLAIMS HANDLING POLICIES**

3 In an effort to resolve disagreements between the Respondents and the Department  
4 concerning certain provisions in California Contracts or their interpretation as applied in  
5 handling claim decisions, which disagreements were not able to be resolved based upon usual  
6 sources of statutory, regulatory or decisional authority, Respondents have agreed to make the  
7 following changes in certain claims handling policies and in the terms of their California  
8 Contracts, in accordance with the effective date of the provisions in Section V.

9 **A. Discretionary Authority**

10 Respondents shall discontinue use of a provision that has the effect of conferring  
11 unlimited discretion on the Respondent or other plan administrator to interpret policy language,  
12 or requires an “abuse of discretion” standard of review if a lawsuit ensues unless the reviewing  
13 court determines otherwise (“discretionary authority provision”) in any California Contract sold  
14 after the date set forth in Section V.

15 **B. Mental and Nervous Conditions**

16 Respondents shall interpret the “mental and nervous conditions” benefit in a California  
17 Contract and its limitation to twenty-four (24) months to apply after the termination of any  
18 physiological-based disabling condition covered by the policy and not concurrent with such  
19 physiological condition and shall amend policy language in future California Contracts to better  
20 reflect this interpretation of the provision.

21 **C. Self-Reported Conditions**

22 Respondents shall discontinue application of the “self-reported condition” provisions in  
23 California Contracts, which has permitted Respondent to characterize certain disabling  
24 conditions as “self-reported” (e.g., pain, limited range of motion, weakness), while the  
25 Respondent accepted only objective test results to support disability, thus limiting payment of  
26 certain benefits under the “self-reported conditions” policy provision, and discontinue inclusion  
27 of “self-reported conditions” provisions in any California Contract issued after the date set forth  
28 in Section V.


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V.

**STIPULATIONS REGARDING CHANGES TO  
POLICY LANGUAGE AND CLAIMS HANDLING**

A. Respondents agree that they shall not target short term and long term disability claims for denial or termination of benefits on the basis of economic advantage to themselves.

B. Respondents agree that they shall promptly, fairly, and objectively investigate each short term and long term disability claim, considering the interests of the claimant at least as much as their own, pursuant to California statutory and case law and in accordance with the terms of the applicable insurance policy, so long as such terms are consistent with applicable California statutory and case law.

C.  Respondents agree that as of the CSA Effective Date, except for new forms that might be submitted to and approved by the Commissioner in the future, the Respondents will no longer market, offer, issue or deliver (1) an individual disability policy form other than Forms 650-CA and 651-CA to California residents, or (2) group disability policy or certificate forms other than Forms C.FP-1-CA and CC.FP-1-CA to California groups, as approved pursuant to the Order of the Commissioner issued as part of this CSA. However, policy forms for which quotes have been offered or applications have been taken by the CSA Effective Date may be delivered to the purchasers after the CSA Effective Date if they are sold before November 1, 2005. For business initiated and sold between October 3, 2005 and November 1, 2005, the Respondents may use existing policy forms so long as the provisions are interpreted to conform with the requirements of Section V.D. hereof. Respondents agree that, as of the CSA Effective Date, they shall comply with California Insurance Code Section 10270.507.



**Policy Language Changes**

Individual Policy Forms 650-CA and 651-CA and Group Policy Form C.FP-1 – CA, as noted above in section V.C., contain language that is in compliance with the laws of the State of California, and each of which has been approved for sale in the State of California. The most important policy language changes are as follows:

1           1.       “Total Disability” Definitions.

2           “Total disability” shall be defined in California Contracts during the usual or own-  
3 occupation period as:

4           a disability that renders one unable to perform with reasonable continuity the substantial  
5 and material acts necessary to pursue his or her usual occupation in the usual and  
6 customary way

7           and during the another or any-occupation period shall be defined as:

8           a disability that renders one unable to perform with reasonable continuity the substantial  
9 and material acts necessary to pursue his or her usual occupation in the usual and  
10 customary way and to engage with reasonable continuity in another occupation in which  
11 he or she could reasonably be expected to perform satisfactorily in light of his or her age,  
12 education, training, experience, station in life, physical and mental capacity.

13           This change shall be made in all new California Contracts issued after the CSA Effective Date  
14 and in in-force policies upon renewal after the CSA Effective Date.

15           2.       Discretionary Authority.

16           Respondents agree to withdraw from the administrative mandamus action (the appeal  
17 from the administrative hearing and Insurance Commissioner's Order) regarding discretionary  
18 authority policy language. Any language having the effect of a “discretionary authority  
19 provision” as set forth in Section IV.A. shall not be applied to any California Contract sold after  
20 the CSA Effective Date. A “discretionary authority provision” shall not be included in any new  
21 policies issued as California Contracts or included in Summary Plan Descriptions (SPDs) in  
22 ERISA-related Plans generated or issued by the Company, after the CSA Effective Date so long  
23 as its omission from the policy form or SPD is consistent with what is permitted by applicable  
24 California statutory and case law. Discretionary authority provisions in existing California  
25 Contracts that were issued prior to the date of the Order of the Commissioner are not affected by  
26 the CSA.

27           3.       Self-Reported Conditions.

28           Policy language regarding limitations on benefits for self-reported conditions as set forth  
in Section IV.C shall not be applied in existing California Contracts after the earlier of the date  
of their first renewal following the CSA Effective Date or December 31, 2007. Self-reported

1 conditions provisions shall not be included in any new policies issued as California Contracts  
2 after the CSA Effective Date.

3 4. Mental and Nervous Conditions.

4 Policy language limiting the duration of payment on disability caused by mental and  
5 nervous conditions shall be interpreted as set forth in Section IV.B. so as not to run concurrently  
6 with benefits for physiologically-based conditions in California Contracts after the earlier of the  
7 date of their first renewal following the CSA Effective Date or December 31, 2007, and the  
8 language in all new policies issued as California Contracts after the CSA Effective Date shall be  
9 changed to better reflect the interpretation of this provision set forth in Section IV.B. As a  
10 matter of clarification and current interpretation in all applicable policies, in circumstances in  
11 which a physiological disability exists and is followed by a mental and nervous disability, the 24  
12 month limitation in the mental and nervous disability provision starts at the onset of the mental  
13 and nervous disability and does not relate back to the period of the physiological disability with  
14 the result of limiting the disability period for the physiological disability to 24 months.

15 5. Pre-Existing Conditions.

16 Policy language excluding conditions “contributed [to] by” the pre-existing condition  
17 shall not be applied in existing California Contracts after the CSA Effective Date. This change  
18 shall be made in all new policies issued as California Contracts after the CSA Effective Date and  
19 in in-force policies upon renewal after the CSA Effective Date.

20 6. Offsets.

21 Policy language regarding offsets for Social Security Disability Income (SSDI) benefits  
22 shall be interpreted to mean that only SSDI benefits actually received by the claimant shall be  
23 offset in California Contracts after the CSA Effective Date. This change shall be made in all  
24 new policies issued as California Contracts after the CSA Effective Date and in in-force policies  
25 upon renewal after the CSA Effective Date.

26 7. Mandatory Rehabilitation.

27 Policy language requiring participation in a mandatory rehabilitation program will no  
28 longer be included in California Contracts after the CSA Effective Date.

1           8.     Survivor Benefit.

2           The definition of "Eligible Survivor" shall be interpreted in California Contracts after the  
3 CSA Effective Date to delete an age limitation for surviving children, and shall provide that if no  
4 estate is formed, the benefits will escheat to the State of California. This change shall be made in  
5 new policies issued as California Contracts after the CSA Effective Date.

6           **E.     Claims Handling Change Implementation Dates**

7           The policy language changes reflected in Section V.D. above shall be applicable to  
8 consideration of claim decisions of California Claimants in accordance with the following  
9 provisions:

10          1.     "Total Disability" Definitions.

11          The change described above in Section V.D.1. shall be applied to (1) claims open at CSA  
12 Effective Date that were submitted to Respondents on or after June 24, 2004; (2) claims  
13 participating in CSA Reassessment; and (3) new claims submitted after the CSA Effective Date.  
14 That is, the claims will be handled as if this change were in place at the specified time.

15          2.     Discretionary Authority.

16          The change described above in Section V.D.2. shall be applied to (1) policies sold after  
17 the CSA Effective Date; and (2) claims participating in CSA Reassessment .

18          3.     Self-Reported Conditions.

19          The change described above in Section V.D.3. shall be applied to (1) new claims  
20 submitted after the earlier of the first renewal date of the group policy to which they relate  
21 following the CSA Effective Date or December 31, 2007; and (2) claims participating in the  
22 CSA Reassessment. In addition, Respondents shall enhance training for claims staff regarding  
23 subjective conditions, augmenting the criteria to be used in evaluating subjective complaints.

24          4.     Mental and Nervous Conditions.

25          The change described above in Section V.D.4. shall be applied to (1) new claims  
26 submitted after the earlier of the first renewal date of the group policy to which they relate  
27 following the CSA Effective Date or December 31, 2007; and (2) claims participating in the  
28 CSA Reassessment.

1 5. Pre-Existing Conditions.

2 The change described above in Section V.D.5. shall be applied to (1) new claims  
3 submitted after the CSA Effective Date, and (2) claims participating in the CSA Reassessment.

4 6. Offsets.

5 The change described above in Section V.D.6. shall be applied to (1) claims open as of  
6 the CSA Effective Date; (2) claims participating in the CSA Reassessment; and (3) new claims  
7 submitted after the CSA Effective Date.

8 7. Mandatory Vocational Rehabilitation.

9 The change described above in Section V.D.7. shall be applied to (1) claims open as of  
10 the CSA Effective Date; (2) claims participating in the CSA Reassessment; and (3) new claims  
11 submitted after the CSA Effective Date. In processing the claims covered by this change,  
12 Respondents shall consider participation in vocational rehabilitation to be voluntary.

13 8. Survivor Benefit.

14 The change described above in Section V.D.8. shall be applied to (1) claims open as of  
15 the CSA Effective Date; (2) claims participating in the CSA Reassessment; and (3) new claims  
16 submitted after the CSA Effective Date. In addition, Respondents will inform survivors who are  
17 not eligible survivors under the policy definitions of the necessity of forming an estate in the  
18 event there are no eligible survivors.

19 9. Additional Review.

20 In processing the claims covered by the changes set forth in Sections IV and V, an  
21 additional level of internal review by a Quality Compliance Consultant (or its equivalent) will  
22 occur prior to a claim denial.

23  
24 **VI.**

25 **FINAL STIPULATIONS**

26 A. Respondents and the Department agree that, in lieu of other disciplinary action,  
27 the Insurance Commissioner may, by his written Decision and Order to be made and filed herein,  
28 without further notice to Respondents, issue an order prohibiting Respondents from engaging in



1 the conduct set forth in the Accusation (without any admission by Respondents of having  
2 engaged in such conduct) and requiring Respondents to pay a civil penalty in the amount of  
3 \$8,000,000.00;

4 B. Respondents agree to pay to the Department all attorney's fees and costs of the  
5 Department in bringing this enforcement action, in the amount of \$598,503.00, pursuant to  
6 Insurance Code, section 12921(b)(4);

7 C. Respondents agree to pay all reasonable future costs of the Department to ensure  
8 compliance with the CSA, pursuant to Insurance Code, section 12921(b)(4);

9 D. Respondents agree to pay the civil penalty, attorney's fees and costs enumerated  
10 above upon receipt of invoice(s) from the Department, payments to be directed to the California  
11 Department of Insurance; Division of Accounting; 300 Capitol Mall, 13<sup>th</sup> Floor; Sacramento, CA  
12 95814;

13 E. Respondents acknowledge that the CSA is freely and voluntarily executed by  
14 Respondents, with a full realization of the legal rights set forth in the Insurance Code;

15 F. Respondents and the Department agree that the CSA is the full and final  
16 settlement of the Department's investigation, scheduled and targeted Field Claims examinations,  
17 and Field Rating and Underwriting examination, and the Accusation;

18 G. Neither the CSA nor any related negotiations, statements, or documents shall be  
19 offered by the Department as evidence of an admission or concession of any liability or  
20 wrongdoing whatsoever on the part of the Respondents;

21 H. Neither the CSA nor any of the obligations agreed to by the Respondents shall be  
22 interpreted to constitute a novation or alter the terms of any policy, except as specifically stated  
23 herein. Neither the CSA nor any of the obligations agreed to by the Respondents shall be  
24 interpreted to reduce or increase any rights of participants in ERISA-covered plans, except as  
25 specifically stated herein, including but not limited to rights to which they may be entitled  
26 pursuant to 29 U.S.C. 1133 and 29 CFR 2560.503-1 of ERISA, including any appeal or review  
27 rights under the plan. Other than those rights afforded under the CSA, it is the intention of the  
28 parties that no additional rights are provided to the extent that any California Claimants have

1 previously exercised their rights and therefore, as provided for under ERISA, have permitted  
2 those rights to lapse;

3 I. Respondents agree that, in the event of a material noncompliance with the terms  
4 of the CSA, the Insurance Commissioner may, after notice and hearing, order the suspension for  
5 up to one (1) year of the Certificate of Authority of the noncompliant Respondent(s);

6 J. Section III. of the CSA will terminate upon completion of Respondents' review of  
7 claims for which California Claimants have chosen to participate or requested review under the  
8 CSA Reassessment, except that the following provisions of Section III. shall continue in effect:

- 9 1. Subsection III.D. - Attending Physician's Opinion,
- 10 2. Subsection III.E. - Claimants Informed of Right to Request IME, and
- 11 3. Subsection III.F.1. - Monitoring Compliance with the CSA;

12 K. Section IV. and Section V. of the CSA shall be subject to change as follows:

13 1. Respondent's agreements as to Changes in Claims Handling Policies, set forth  
14 in Section IV., shall each remain in effect until such time as a change in Section IV.A., IV.B. or  
15 IV.C. is either (i) required by a change in applicable statute, regulation or court decision, or (ii)  
16 permitted by such authorities and the Respondent provides the Department with 30 days prior  
17 written notice of the proposed change, the reason therefor, and the specific source of authority  
18 (applicable statute, regulation or court decision) permitting such change, and the change is  
19 agreed to by the Department and such agreement by the Department shall not unreasonably be  
20 withheld. The provisions of Section IV. that are not affected by the specific change shall  
21 continue in effect;

22 2. Respondent's agreements as to Changes to Policy Language and Claims  
23 Handling, set forth in Section V., shall each remain in effect until the earlier of (i) such time as a  
24 change in one of the agreements set forth in Sections V.D. or V.E. is required by a change in the  
25 applicable statute, regulation or relevant court decision; (ii) alternative policy language for  
26 disability insurance policies affecting one of such designated Sections is approved by the  
27 Department for Respondent or for other insurers writing disability insurance in California; (iii)  
28 approval for a specific change to policy language affecting one of such designated Sections is

1 authorized by the Department; or (iv) a change to policy language or claims handling is  
2 permitted by such authorities affecting one of such designated Sections and the Respondent  
3 provides the Department with 30 days prior written notice of the proposed change, the reason  
4 therefor, and the specific source of authority (applicable statute, regulation or court decision)  
5 permitting such change, and the change is agreed to by the Department, and such agreement by  
6 the Department shall not unreasonably be withheld. The provisions of Sections V.D. or V.E. that  
7 are not affected by the specific change shall continue in effect;

8 L. Respondents agree to use their best efforts to complete the CSA Reassessment by  
9 June 30, 2007, although, for good cause shown, the Insurance Commissioner may agree to  
10 extend the time for completing that process;

11 M. Respondents acknowledge that Insurance Code, section 12921(b)(1), requires the  
12 Insurance Commissioner to approve the final settlement of this matter, and that both the  
13 settlement terms and conditions contained herein and the acceptance of those terms and  
14 conditions are contingent upon the Insurance Commissioner's approval, which approval is  
15 provided in the Order of the Commissioner, issued simultaneously with the execution of this  
16 CSA and made a part hereof.

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1 Respondents and the Department hereby execute this document at Chattanooga, State of  
 2 Tennessee, on the \_\_\_\_ day of October, 2005, and San Francisco, State of California, on the \_\_\_\_  
 3 day of October, 2005, respectively.

4  
 5 **UNUM LIFE INSURANCE COMPANY OF AMERICA**

6 **PROVIDENT LIFE AND ACCIDENT INSURANCE  
 COMPANY**

7 **THE PAUL REVERE LIFE INSURANCE COMPANY**

8 By:

9  
 10 \_\_\_\_\_  
 Signature

11 Thomas R. Watjen

12 Printed name

13 President and Chief Executive Officer

14 Title

15 UnumProvident Corporation

16 Company

17 1 Fountain Square

18 Address

19 Chattanooga, Tennessee 37402

20 **CALIFORNIA DEPARTMENT OF INSURANCE**

21 By:

22 \_\_\_\_\_  
 Signature

23 Richard D. Baum

24 Printed name

25 Chief Deputy Commissioner

26 Title

27 45 Fremont St., 23<sup>rd</sup> Floor

28 Address

San Francisco, California 94105-2204