MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

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In the Matter of **UNITED HERITAGE LIFE INSURANCE COMPANY,** An Authorized Insurer.	No. D07-293 **CONSENT ORDER IMPOSING A FINE**

COMES NOW the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.02.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following findings of fact and conclusions of law:

FINDINGS OF FACT:

1. United Heritage Life Insurance Company ("UHLIC" or "the Company") is authorized to conduct the business of insurance in Washington State and, therefore, is subject to Title 48 RCW and Chapter 284 WAC.

2. In December 1988, UHLIC submitted two pre-standardized Medicare Supplement ("MedSupp") filings to the Office of the Insurance Commissioner ("OIC"): (1) UHLIC filed for approval of increased rates on its existing "Form 82" MedSupp conversion policies, and (2) UHLIC filed for approval a new "89F" MedSupp conversion policy and rates for this policy that were lower than the requested rates on the Form 82 policies. On May 24, 1989, the OIC approved the first filing to increase the rates on the existing Form 82 policies; however, on May 25, 1989, the OIC disapproved the second rate and form filing involving the 89F policies. In March 1990, UHLIC again filed a MedSupp rate increase with the OIC, but withdrew it on October 12, 1990, after OIC had approved it on September 26, 1990. The rate increase was not implemented.

3. On April 22, 2004, UHLIC submitted a new rate filing to OIC for its MedSupp policies. At the time of the rate filing, there appeared to be eleven UHLIC MedSupp policyholders in Washington. As part of the rate filing, UHLIC listed its current MedSupp "Annual Premium" as well as the "Premium w/Proposed 35% Incr." for

which it was requesting approval. In ten of the eleven policies, the dollar amounts UHLIC listed as the current MedSupp rates did not match the approved May 24, 1989 rates on file with OIC.

4. On July 2, 2004, the OIC wrote to UHLIC and requested that the Company explain the relationship between the current rates reflected in its new filing and the rates approved by OIC on May 24, 1989. Correspondence between OIC and UHLIC continued until August 27, 2004. UHLIC informed the OIC that all of its MedSupp policies were pre-standardized and that three such policies were issued after June 30, 1992, as conversions from UHLIC's major medical policies. By letter dated July 16, 2004, UHLIC conceded that it was unable to reconcile the new rate filing with the previously approved rates because much information dating back to 1989 was unavailable. On September 30, 2004, UHLIC's proposed rates were disapproved by the OIC as a result of UHLIC's inability to establish that its current rates had been approved.

5. UHLIC was asked by the OIC to file a standardized Plan A policy for use in any subsequent conversions, as well as for replacement policies for the three insureds who were issued policies after June 30, 1992. UHLIC noted later that the conversion policies issued to two Washington residents in 2002 and 2003 were actually standardized Plan A policies approved in Idaho, but not approved in Washington. The other policy issued after June 30, 1992 was issued to an Idaho resident that moved to Washington after the policy was issued. The OIC received UHLIC's standardized MedSupp Plan A on December 13, 2004. The transmittal document indicated that the standardized Plan A had been approved by the State of Idaho on October 25, 1994. After UHLIC made numerous changes to the Idaho standardized Plan A, it was approved by the OIC on September 14, 2005. However, UHLIC did not replace the Idaho standardized Plan A MedSupp policy issued in 2002 to the one remaining active Washington policyholder with the approved Washington policy until January 26, 2007.

6. On October 31, 2006, the OIC issued a proposed Consent Order to UHLIC, based upon the facts as described above. On November 2, 2006, UHLIC demanded an administrative hearing.

7. On or about January 17, 2007, UHLIC's counsel, Melvin N. Sorensen, sent the OIC a memorandum in regard to the proposed Consent Order. Contrary to prior assertions, UHLIC was now able to explain in detail the histories of all of the Washington policies at issue. A meeting was held with UHLIC staff at the OIC on January 23, 2007. At the meeting, a revised version of Mr. Sorensen's January 17, 2007 memorandum was presented. This was followed up by yet another memorandum from Mr. Sorensen dated February 14, 2007. UHLIC's position then was that only four of the Washington policyholders were currently charged rates differing from those approved on May 24, 1989, and all four were lower rates. Two Washington policyholders were given Idaho policy forms and charged Idaho rates. Another policyholder was issued a policy on April 1, 1989, and was charged an annual premium of $1,481.34, a rate different from the then-current approved rate. Yet another policyholder was issued a policy on February 1, 1991

and also was charged an annual premium of $1,481.34, a rate different from the then-current approved rate. UHLIC claimed that the other rates listed as its current rates only appeared to differ from the approved rates. If mode of payment factors, a rating for substandard health, and application of the May 24, 1989 approved percentage increase to an old rate not filed in 1988 were removed, the rates would match the approved rates.

CONCLUSIONS OF LAW:

1. UHLIC violated RCW 48.66.035(1) by issuing Medicare Supplement policies on forms not filed with nor approved by the OIC;

2. UHLIC violated RCW 48.66.035(2) by charging Washington consumers Medicare Supplement policy rates different than those filed with and approved by the OIC on May 24, 1989;

3. UHLIC violated RCW 48.05.280 by failing to promptly and accurately account to the OIC for the contents of the policies it issued and the propriety of its rates.

4. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of an insurer's Certificate of Authority.

CONSENT TO ORDER:

UHLIC, acknowledging its duty to comply fully with the laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of UHLIC's payment of a fine on such terms and conditions as are set forth below:

1. UHLIC consents to the entry of the Order and waives any and all hearing rights and further administrative or judicial challenge to the Office of the Insurance Commissioner's actions related to the subject matter of the Order and acknowledges its duty to comply fully with the applicable laws of the State of Washington;

2. Within thirty days of the entry of this Order, UHLIC agrees to pay to the OIC a fine in the amount of $7,000.00 (seven thousand dollars); and

3. UHLIC understands and agrees that any future failure to comply with the statute that is the subject of this Order constitutes grounds for further penalties which may be imposed in direct response to that further violation.

4. UHLIC's failure to pay this fine timely and to adhere to the conditions herein shall constitute grounds for revocation of UHLIC's Certificate of Authority, and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

SIGNED this 23rd day of August, 2007.

UNITED HERITAGE LIFE INSURANCE COMPANY

By: _____

Printed Name: Geoffrey M. Baker

Printed Corporate Title: VP & General Counsel

SIGNED this 29th day of AUGUST, 2007.

MIKE KREIDLER
Insurance Commissioner

By: _____
Thomas P. Rowland
Staff Attorney
Legal Affairs Division

ORDER:

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, it is hereby Ordered as follows:

1. UHLIC is ordered to pay a fine in the amount of $7,000.00 (seven thousand dollars).

2. UHLIC's failure to pay the fine within the time limit set forth above shall constitute grounds for revocation of the Company's Certificate of Authority, and in the recovery of the fine through a civil action brought on behalf of the Commissioner by the Attorney General.

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3. Other: _____.

WASHINGTON STATE OFFICE OF ADMINISTRATIVE HEARINGS

By: _____
For Jane L. Habegger
Administrative Law Judge