

STATE OF MAINE  
BUREAU OF INSURANCE

IN RE:

GUARANTEE TRUST LIFE  
INSURANCE COMPANY

Maine License No. LHF191  
NAIC Code 64211

**CONSENT AGREEMENT**

Docket No. INS-12-211

**INTRODUCTION**

Guarantee Trust Life Insurance Company (“GTL”), a Maine-licensed insurance company, the Maine Superintendent of Insurance (“the Superintendent”), and the Office of the Maine Attorney General hereby enter into this Consent Agreement pursuant to 10 M.R.S. § 8003(5)(B) to resolve, without an adjudicatory proceeding, the Superintendent’s findings of violations of the Maine Insurance Code under a license issued by the Bureau. As more fully set out below, the Superintendent finds GTL violated the Maine Insurance Code by making available a group limited benefits health insurance policy to an ineligible group, permitting a non-appointed producer to sell insurance coverage on its behalf, failing to maintain proper claims files in its group limited benefits health insurance business, failing to pay interest as required on certain benefit claims, and knowingly violating a lawful order of the Superintendent.

**PARTIES**

1. The Superintendent of Insurance is the official charged with administering and enforcing Maine’s insurance laws and regulations, and the Bureau of Insurance is the administrative agency with such jurisdiction. The Superintendent has jurisdiction over this matter pursuant to 24-A M.R.S. §§ 12-A and 211.
2. GTL has been licensed in Maine as a foreign life and health insurance company since February 28, 1990. GTL’s Maine Certificate of Authority number is LHF191 and its NAIC Code is 64211. GTL maintains a principal place of business at 1275 Milwaukee Avenue, Glenview, Illinois.

**STATUTORY AUTHORITY**

3. Under 10 M.R.S. § 8003(5)(A) and 24-A M.R.S. § 12-A, the Superintendent may issue a warning, censure, or reprimand to an insurer, may suspend, revoke or refuse to renew the license of an insurer, may impose conditions of probation on the insurer, may

levy a civil penalty, or may take any combination of such actions, for violating any insurance laws, or violating any rule, regulation, subpoena, or order of the Superintendent.

4. Pursuant to 10 M.R.S. § 8003(5)(B), the Superintendent may resolve a complaint by entering into a consent agreement with a licensee and with the agreement of the Attorney General.

#### STATEMENT OF FACTS

5. On April 26, 2011, following an adjudicatory hearing before the Superintendent on the matter docketed as INS-10-224, the Superintendent issued a decision and order finding that GTL committed various violations of the Maine Insurance Code in the course of marketing and selling limited benefits health insurance through a purported association called the National Congress of Employers ("NCE") and the producer Cinergy Health, Inc. ("Cinergy"). Pursuant to this decision and order, the Superintendent imposed a civil penalty of \$150,000 against GTL which civil penalty was due no later than June 1, 2011. The Decision and Order explicitly states: "There is no automatic stay pending appeal; application for stay may be made in the manner provided in 5 M.R.S.A. § 11004."

6. At no time did GTL apply to the Superintendent to stay the enforcement of this civil penalty.

7. GTL failed to pay the \$150,000 civil penalty on June 1, 2011, as ordered by the Superintendent.

8. On June 2, 2011, GTL filed in the Maine Superior Court, Kennebec County, a petition for review of the Superintendent's decision and order pursuant to Maine Rule of Civil Procedure 80C. The Superior Court assigned docket number AP-11-31 to this Rule 80C appeal, which was subsequently transferred to the Business and Consumer Docket and assigned docket number BC-AP-12-09.

9. At no time did GTL ever file a motion with the Superior Court to stay enforcement of the civil penalty as permitted by 5 M.R.S. § 11004.

10. On January 2, 2013, the Business and Consumer Court issued a Decision and Judgment that affirmed the Superintendent's decision, and GTL appealed that decision to the Maine Supreme Judicial Court.

11. On November 21, 2013, the Maine Supreme Judicial Court affirmed the Business and Consumer Court's decision.

12. On January 23, 2014, the Superintendent received a check in amount of \$150,000 from GTL as payment for the civil penalty imposed in INS-10-224.

13. On November 21, 2011, in conformance with the requirements of 24-A M.R.S. § 226, the Superintendent accepted and filed in the Bureau a completed market conduct examination report on GTL. The examination report was the product of a targeted market conduct examination that reviewed GTL's complaints, claims, and producer licensing standards for its group limited benefits health insurance line of business for the period June 1, 2008, through June 30, 2010. A copy of that Market Conduct Examination Report is attached hereto as "Attachment A."

14. The Market Conduct Examination revealed four primary areas of GTL's failure to comply with legal standards, which violations were not the subject of the adjudicatory hearing in INS-10-224: (1) making a group policy available to an ineligible group; (2) providing insurance coverage sold by non-appointed producers; (3) the failure to maintain properly documented claims files; and (4) the failure to pay interest as required on certain claims for benefits it paid out.

15. GTL provided group limited benefits health insurance coverage to Maine residents belonging to two different out-of-state association groups. One of these groups was the NCE and the other was the Consumer Health Choice Association ("CHCA").

16. At no time did GTL ever obtain a determination from the Superintendent that CHCA satisfied the statutory requirements that would make it an eligible association group through which GTL could provide group insurance covering the lives of Maine residents.

17. The policy issued to NCE covered 123 Maine residents. Cinergy sold this insurance coverage to 84 of these residents and CrossSummit Enterprises, Inc. ("CrossSummit") sold coverage to the other 39 residents.

18. The coverage provided through CHCA covered 13 Maine residents. CrossSummit sold this insurance coverage to all 13 of these residents.

19. At no time did GTL ever appoint CrossSummit or any of its Maine licensed producers as agents of GTL.

20. From January 1, 2008, through November 1, 2008, CrossSummit and its producers solicited and sold group insurance coverage through NCE and CHCA to 52 Maine residents without GTL having appointed them as agents.

21. GTL contracted with Preferred Care Inc. ("PCI") to process and administer claims, and PCI subsequently did so for Maine residents under the coverage provided to both NCE and CHCA. PCI is licensed by the Bureau as a third party administrator, license number TAF64503.

22. During the examination, the Bureau's examiner randomly selected claims files of 60 of the 101 Maine residents who had submitted claims for benefits under GTL's limited benefits health insurance policies.

23. Of this sample of 60 files, 33 files contained insufficient documentation supporting the decision made regarding GTL's liability to pay the claim.

24. Within the 60 claims files examined by the Bureau's examiner, there were 41 instances in which GTL and/or PCI failed to make payment of the claim within 30 days. In 5 of these 41 instances, GTL and/or PCI failed to pay interest on the overdue payments.

## VIOLATIONS OF LAW

### *Providing Insurance Coverage Through an Ineligible Group*

25. Pursuant to 24-A M.R.S. § 2412(1-A), an insurer may not provide coverage to a resident of Maine under an association group policy issued and delivered outside Maine unless it files with the Superintendent at least 60 days before any solicitation in Maine sufficient information concerning the nature of the association (including any trust agreements or association bylaws) to enable the Superintendent to determine whether the group satisfies the statutory requirements for an association group.

26. GTL violated 24-A M.R.S. § 2412(1-A) by covering the lives of Maine residents under group coverage provided to CHCA without ever obtaining a determination from the Superintendent that CHCA satisfied the statutory requirements that would make it an eligible association group to which GTL could issue a group policy covering the lives of Maine residents.

### *Failure to Appoint Producer*

27. Pursuant to 24-A M.R.S. § 1420-M(1) an insurance producer may not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer.

28. From January 1, 2008, through November 1, 2008, GTL violated 24-A M.R.S. § 1420-M(1) each of the 52 times it permitted CrossSummit and its producers to solicit and sell coverage under the NCE and CHCA policies to Maine residents without GTL having appointed them as agents.

### *Failure to Maintain Properly Documented Claims Files*

29. Pursuant to 24-A M.R.S. § 1906(11), an insurer is accountable and may be penalized for the actions of its administrators.

30. Pursuant to 24-A M.R.S. § 1906(3), an administrator is required to maintain adequate books and records of all transactions involving an insurer and covered individuals and beneficiaries for 7 years after the agreement with the insurer expires.

31. Pursuant to 24-A M.R.S. § 2152, an insurer is prohibited from engaging in conduct defined as an unfair claims practice.

32. Pursuant to 24-A M.R.S. § 2164-D, it is an unfair claims practice for an insurer to fail to develop and maintain documented claim files supporting decisions regarding liability with such frequency as to indicate a general business practice to engage in that type of conduct.

33. PCI committed an unfair claims practice under 24-A M.R.S. § 2164-D for which GTL is accountable by failing to develop and maintain documented claim files supporting decisions regarding liability with such frequency as to indicate a general business practice to engage in that type of conduct.

*Failure to Pay Interest on Overdue Payments*

34. Pursuant to 24-A M.R.S. § 1906(11), an insurer is accountable and may be penalized for the actions of its administrators.

35. Pursuant to 24-A M.R.S. § 2436(1) 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.

36. Pursuant to 24-A M.R.S. § 2436(3) if an insurer fails to pay an undisputed claim when due, the amount of the overdue claim bears interest at the rate of 1 ½% per month after the due date.

37. GTL violated 24-A M.R.S. § 2436(3) each of the 5 times neither it nor its administrator PCI paid interest on the overdue payments.

*Violation of a Lawful Order of the Superintendent*

38. Pursuant to 24-A M.R.S. § 12-A(1)(C), the Superintendent may impose a civil penalty against any person who violates a lawful order of the Superintendent that has not been stayed by order of the Superintendent of the Superior Court.

39. Pursuant to 24-A M.R.S. § 215, the Superintendent may suspend or revoke the certificate of authority of an insurance company that knowingly violates an order of the Superintendent.

40. GTL knowingly violated the Superintendent's order to make payment of a \$150,000 civil penalty by June 1, 2011, and is subject to the imposition of disciplinary action pursuant to 24-A M.R.S. §§ 12-A(1)(C) and 215.

## COVENANTS

41. GTL admits to the Statement of Facts and Violations of Law stated above and admits that its actions make it subject to disciplinary action.
42. GTL accepts as disciplinary action the imposition of a civil penalty in the amount of Twenty-five Thousand Dollars (\$25,000.00). GTL shall remit payment of this civil penalty within thirty (30) days after the date of the last signature to this Consent Agreement. Payment shall be by check or money order made out to "Treasurer, State of Maine" and delivered to the Bureau.
43. The 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.
44. In return for GTL's execution of this Consent Agreement, the Superintendent and the Attorney General agree that no further action will be initiated against GTL by the Bureau of Insurance for the specific violations of the Insurance Code admitted to herein, unless GTL fails to comply with the terms and conditions of this Consent Agreement.
45. This Consent Agreement is enforceable by an action in Maine Superior Court.
46. This Consent Agreement is not subject to appeal. GTL waives any further hearings or appeals regarding the matters that are the subject of this Consent Agreement.
47. This Consent Agreement may be modified only by a written agreement executed by all of the parties hereto. The parties each retain absolute discretion to reject any request to modify, continue, or terminate any or all of the provisions of this Consent Agreement.
48. This Consent Agreement is a public record subject to the provisions of the Maine Freedom of Access Law, 1 M.R.S. §§ 401 through 410, will be available for public inspection and copying as provided for by 1 M.R.S. § 408, and will be reported to the Regulatory Information Retrieval System database at the National Association of Insurance Commissioners.
49. By the duly-authorized signature of its representative on this Consent Agreement, GTL indicates that it has read the Consent Agreement, that it understands the Consent Agreement, that it has reviewed the statutory provisions set forth herein, that it has been advised of its right to consult with counsel and has had an opportunity to consult with counsel before signing the Consent Agreement, and that it enters into the Consent Agreement voluntarily and without coercion of any kind from any person.

**GUARANTEE TRUST LIFE  
INSURANCE COMPANY**

Dated: April 30, 2014

By: [Signature]  
Its Authorized Representative

Richard Stolson III - President  
Print Name and Title

Subscribed and sworn to before me this 30<sup>th</sup> day of April, 2014.

Morgan Winstill  
Notary Public  
Morgan Winstill  
Printed name  
10-30-16  
Date commission expires



**THE MAINE SUPERINTENDENT OF  
INSURANCE**

Dated: May 5, 2014

By: [Signature]  
Eric Cioppa  
Superintendent of Insurance

**THE MAINE OFFICE OF THE  
ATTORNEY GENERAL**

Dated: May 2, 2014

By: [Signature]  
Andrew L. Black  
Assistant Attorney General

