

RELIANCE NATIONAL
INSURANCE COMPANY

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CONSENT AGREEMENT
Docket No. MCINS 98-32

This document is a Consent Agreement, authorized by 5 M.R.S.A. § 9053(2) entered into by and among Reliance National Insurance Company. (hereafter also "*Reliance*") 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 Title 24-A M.R.S.A. §§ 1902, 2153, 2808-B, 2843 and 2850.

FACTS

1. Reliance has been licensed as a Maine Authorized Multiple Lines Insurer, Licensee # PCF000000038297 since November 9, 1993.
2. Health Care Horizons, Inc. (hereafter also "*HCH*") has been licensed as a Maine Third Party Administrator, Licensee # 48394, since December 12, 1997, when a name change from Kepple & Company, Inc. to HCH was approved. Kepple & Company, Inc. (hereafter also "*Kepple & Company*" and "*Kepple*") was first licensed as a Maine TPA on January 28, 1997.
3. The Superintendent of Insurance is the official charged with administering and enforcing Maine's insurance laws and regulations.
4. Maine Health Alliance, (hereafter also "*MHA*"), has been registered as a Maine registered Preferred Provider Arrangement, registration # PPD49054, since March 21, 1997.
5. In December 1995, HCH, then doing business as Kepple & Company, contracted with MHA to, among other things, provide MHA access to small group health insurance products for fully-insured employers through existing relationships with insurers licensed in Maine. Under that agreement, HCH agreed to use its best efforts to contract for claim administration, utilization review, network administration and direct sales on behalf of those fully-insured plans, agreed to obtain any license necessary to conduct these activities, and agreed to provide or arrange for the provision of marketing, advertising and promotional materials for the purpose of promoting health plans contemplated by the agreement.
6. On June 16, 1997, Reliance and HCH executed a Letter of Understanding under which Reliance appointed HCH to solicit, underwrite, bind coverage and issue policies on behalf of Reliance in Illinois, Georgia and Maine.
7. On July 1, 1997, Kepple & Company employee Cece Walls contacted the Bureau and spoke with Staff Attorney Kathryn Davis. Attorney Davis advised Kepple that licensees are prohibited from doing business under any name other than the name under which they are licensed.

8. On or about October 17, 1997, Community Health Plan marketing letters were sent under MHA member hospital letterhead to northern Maine businesses inviting them to a November 3, 1997 presentation on the new health plan offering, a Reliance product.

9. Community Health Plan plan descriptions and producer manuals distributed at the November 3, 1997 presentation identified the administrator of the Plan as "HCH Administration (formerly Kepple & Company)." As of November 3, 1997, HCH had had not filed a name change from Kepple & Company, Inc., the entity licensed by the Bureau as an insurance administrator.

10. The Community Health Plan plan descriptions and producer manuals distributed at the November 3, 1997 presentation included many provisions at odds with the requirements of Maine law. Provisions in the distributed producer manuals which violate the requirements of Maine's Community Rating Law, 24-A M.R.S.A. § 2808-B included: a) inappropriate participation requirements; b) an "actively at work" requirement for coverage eligibility; c) failing to properly define an eligible small group as one comprised of 50 or less eligible employees; d) impermissibly denying small group coverage for classes of employers; and, e) requiring employers to contribute 25% of total premiums. The Producer Manual described benefits for mental health inpatient services which do not comply with Maine's mental health mandate at 24-A M.R.S.A. § 2843. The Producer Manual also indicated an 18 month preexisting condition exclusion for late enrollees inconsistent with the requirements of Maine's Continuity Law at 24-A M.R.S.A. § 2850. The Community Health Plan policy and certificate, approved by the Bureau on September 23, 1997, did, however, contain the correct 12 month preexisting condition exclusion.

CONCLUSIONS OF LAW

11. HCH violated Title 24-A M.R.S.A. § 1902 by doing business under an unlicensed name and holding itself out as a properly licensed administrator in the course of marketing the Reliance, Community Health Plan product. Reliance is responsible for the conduct of its contracted administrator.

12. HCH violated Title 24-A M.R.S.A. § 2153, which prohibits the circulation of any statement misrepresenting the terms of any policy to be issued or the benefits or advantages promised thereby. As described in paragraph 10 above, several elements of the Reliance Community Health Plan product descriptions distributed by HCH violated the requirements of Maine law. Because statutory requirements supersede coverage provisions inconsistent with the law, the improper descriptions did not accurately reflect the coverage being marketed. Reliance is responsible for the conduct of its contracted administrator.

13. As described in paragraph 10 above, HCH violated 24-A M.R.S.A. § 2808-B by imposing improper eligibility criteria on small group applicants in the course of marketing the Reliance Community Health Plan product. Reliance is responsible for the conduct of its contracted administrator.

14. HCH violated 24-A M.R.S.A. § 2843 by marketing the Reliance Community Health Plan product with improper benefits for mental health inpatient services. Reliance is responsible for the conduct of its contracted administrator.

15. HCH violated 24-A M.R.S.A. § 2850 by marketing the Reliance Community Health Plan product with a preexisting condition exclusion of improper duration. Reliance is responsible for the conduct of its contracted administrator.

COVENANTS

16. A formal hearing in this matter is waived and no appeal will be taken. This Consent Agreement is an enforceable final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act.

17. At the time of executing this Agreement, Reliance shall pay to the Maine Bureau of Insurance a penalty in the amount of three thousand dollars (\$3,000.00) payable to the Treasurer of the State of Maine.

MISCELLANEOUS

18. Reliance understands and acknowledges that this Agreement will constitute 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.

19. 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.

20. This Consent Agreement may only be modified by the written consent of the parties.

21. Reliance has been advised of its right to consult with counsel and has, in fact, consulted with counsel before executing this Agreement.

**FOR RELIANCE NATIONAL
INSURANCE
COMPANY:**

Dated: _____, 1998

By: _____
Signature

For: _____
Typed Name

Typed Title

Subscribed and Sworn to before me

this _____ day of _____, 1998.

Notary Public

Dated: _____, 1998

STATE OF MAINE
KENNEBEC, SS.

Subscribed and sworn to before me
this _____ day of _____, 1998.

Notary Public/Attorney-at-Law

**FOR THE MAINE
BUREAU OF INSURANCE**

**Alessandro A. Iuppa
Superintendent of Insurance**

**FOR THE MAINE
ATTORNEY GENERAL**

Dated: _____, 1998

**JUDITH SHAW CHAMBERLAIN
Assistant Attorney General**