

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 22, 2007

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2006-00229

MAMSI LIFE AND HEALTH  
INSURANCE COMPANY,  
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that the Defendant, duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia, in certain instances, has violated subsection 1 of § 38.2-502, §§ 38.2-503, 38.2-510 A 1, 38.2-510 A 2, 38.2-510 A 4, 38.2-510 A 5, 38.2-510 A 6, 38.2-1318 C, and 38.2-3407.12 G of the Code of Virginia, as well as 14 VAC 5-90-50 A, 14 VAC 5-90-60 A 1, 14 VAC 5-90-60 B 1, 14 VAC 5-90-90 A, 14 VAC 5-90-100 A, 14 VAC 5-90-100 B, 14 VAC 5-90-130 A, 14 VAC 5-90-170 A, 14 VAC 5-400-40 A, 14 VAC 5-400-50 A, 14 VAC 5-400-60 A, and 14 VAC 5-400-60 B.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code of Virginia to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke the Defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that the Defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter, whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to the Commonwealth of Virginia the sum of one hundred thirty-three thousand dollars (\$133,000), waived its right to a hearing, and has

entered into a Settlement Agreement with the Bureau which outlines a process that involves restitution and refunds, and which is attached hereto and made a part of this Order.

The Bureau of Insurance has recommended that the Commission accept the offer of settlement of Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code of Virginia.

THE COMMISSION, having considered the record herein, the offer of settlement of Defendant, and the recommendation of the Bureau of Insurance, is of the opinion that Defendant's offer should be accepted.

IT IS THEREFORE ORDERED THAT:

- (1) The offer of Defendant in settlement of the matter set forth herein, including the Settlement Agreement, be, and it is hereby, accepted; and
- (2) The Defendant shall comply with the terms of the Settlement Agreement on or before September 1, 2007, as set forth in the Settlement Agreement.
- (3) This case is continued pending further order from the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Nancy J. Herman, Secretary and General Counsel, Mid-Atlantic Region, United HealthCare, 4 Taft Court, Rockville, MD 20850; Joel L. Michaels, Esquire, McDermott Will & Emery, 600 13th Street, N.W., Washington, D.C. 20005-3096; and the Bureau of Insurance in care of Deputy Commissioner Jacqueline K. Cunningham.

**STATE CORPORATION COMMISSION  
COMMONWEALTH OF VIRGINIA**

In the matter of:

INS-2006-00229

MAMSI Life and Health Insurance Company

**SETTLEMENT AGREEMENT**

This is a Settlement Agreement ("Agreement") by and between MAMSI Life and Health Insurance Company (MLH), a Maryland domestic insurance company, and the Commonwealth of Virginia Bureau of Insurance ("Bureau").

This Agreement responds to a Report on the Target Market Conduct Examination of MLH as of December 31, 2004 ("Report"), conducted by the Bureau and completed in January, 2006, and specifically addresses Recommendations 4 and 6 contained in the Report. These Recommendations deal with a provision in MLH's contracts which set a maximum out-of-pocket expense limit for the members. The Bureau alleges that MLH failed to properly credit member obligations to the maximum out of pocket expense limit, causing some members to incur additional expenses.

Although MLH continues to disagree with the Bureau's assessment of this issue, and notes that MLH's practice was revised prior to the initiation of the exam, MLH has agreed to resolve this issue as part of the resolution of all of the outstanding market conduct issues presented in the Report.

The terms of the Agreement are as follows:

1. For Claims under policies starting 1/1/2002 until such time as MLH modified the practice at issue<sup>1</sup>:

- Review, reconcile and reimburse affected paid claims for each policy or certificate holder ("member") who incurred out-of-pocket expenses that exceeded his maximum out-of-pocket expense limit, as set forth in the policy or certificate.
- For each claim in which a member's incurred out-of-pocket expenses exceeded the member's maximum out-of-pocket expense limit by less than \$1000, MLH will pay to the member<sup>2</sup> the total amount by which the member's out-of-pocket expenses associated

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<sup>1</sup> The requirements herein do not apply for members for whom claims have previously been adjusted. MLH has represented that it previously made claims adjustments for policies starting July 1, 2004 and later and that it modified the practice at issue prior to initiation of the market conduct examination.

<sup>2</sup> If MLH knows that the member is deceased, payment is to be made to member's estate, in accordance with Virginia law. This requirement applies to all terms of the Agreement requiring payment to a member.

with that claim exceeded the member's maximum out-of-pocket expense ("affected amount") plus any interest<sup>3</sup>.

- For each claim in which a member's out-of-pocket expenses exceeded the member's maximum out-of-pocket expense limit by \$1000 or more, MLH may verify from the provider the current status of the applicable member obligation relating to that claim and pay the appropriate party the affected amount plus interest.
- If the provider does not verify the status of the claim within 60 days, payment of the affected amount plus interest will be made to the member. Conflicts arising out of inadequate documentation or unsubstantiated evidence shall be resolved in favor of the member.

2. For Claims under policies starting 10/1/1996 – 12/31/2001:

- Review, reconcile and reimburse each member all paid claims contained in the Company's software and information system implemented in October 1996 in which the member incurred out-of-pocket expenses in excess of the maximum out-of-pocket expense limit, set forth in the policy or certificate.
- For each such claim in which a member's incurred out-of-pocket expenses exceeded the member's maximum out-of-pocket expense limit, MLH will make payment to the member the affected amount plus any interest.

3. MLH will provide each member with a statement for all applicable reimbursement payments pursuant to this Agreement. The Bureau will review and approve in advance all standard correspondence that is to be sent to members and providers for purposes of assuring the communications are accurate.

4. Payments that remain uncashed for a period of 180 days or more, or are returned to MLH unclaimed with no forwarding address, shall immediately be presumed abandoned and shall be handled in accordance with the provisions of the Uniform Disposition of Unclaimed Property Act<sup>4</sup>.

5. Under the terms of this Agreement, MLH is not required to make payments of affected amounts to providers, except that it may do so to the limited extent described in Paragraph 1.

6. The Bureau and the Commission shall retain all of the authority granted specifically in Code of Virginia § 38.2-1318, as well as all other applicable statutes and regulations, to examine, monitor and audit the implementation of this Agreement. This includes, but is not limited to, on-site inspections to review the progress and status of compliance with this Agreement, monthly reports identifying specific information on claims paid to providers and members, and a final audit upon completion of this remediation plan.

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<sup>3</sup> Interest is to be paid in accordance with Code of Virginia §§ 38.2-3407.1 and 6.1-330.53. This requirement applies to all terms of this Agreement.

<sup>4</sup> Code of Virginia § 55-210.1 et seq.

7. All remediation of claims, and all terms of this Agreement, except for paragraph 4, are to be completed by September 1, 2007.

8. MLH understands that this Agreement will be incorporated into and made a part of a public Settlement Order issued by the Commission, which will resolve all outstanding matters contained in the Report.

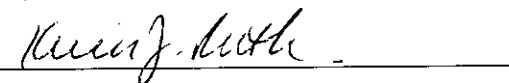
This Agreement may be signed in counterparts, each of which shall constitute a duplicate original.

Agreed to this 16<sup>th</sup> day of February, 2007.

APPROVED AND AGREED TO BY AND ON  
BEHALF OF THE Commonwealth of Virginia,  
Bureau of Insurance

  
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Alfred W. Gross, Commissioner of Insurance

APPROVED AND AGREED TO BY AND ON  
BEHALF OF MAMSI Life and Health Insurance  
Company

  
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