

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, FEBRUARY 22, 2012

CLERK'S OFFICE

COMMONWEALTH OF VIRGINIA, *ex rel.*

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STATE CORPORATION COMMISSION

DOCUMENT CONTROL

v.

CASE NO. INS-2011-00047

GROUP HOSPITALIZATION AND
MEDICAL SERVICES, INC.,

Defendant

SETTLEMENT ORDER

Based on a target market conduct examination performed by the Bureau of Insurance, it is alleged that the Defendant, duly licensed by the State Corporation Commission ("Commission") to transact the business of a health services plan in the Commonwealth of Virginia, in certain instances, has violated §§ 38.2-316 B and 38.2-316 C 1 of the Code of Virginia by failing to comply with policy and form filing requirements; violated subsection 1 of § 38.2-502 and § 38.2-503 of the Code of Virginia, as well as 14 VAC 5-90-55 A, 14 VAC 5-90-55 B, 14 VAC 5-90-60 A 1, 14 VAC 5-90-60 A 2, 14 VAC 5-90-60 B 3, 14 VAC 5-90-60 B 4, 14 VAC 5-90-80 A, 14 VAC 5-90-100 A, 14 VAC 5-90-100 B, and 14 VAC 5-90-110 of the Rules Governing Advertisement of Accident and Sickness Insurance by failing to comply with advertising requirements; violated §§ 38.2-510 A 2, 38.2-510 A 3, 38.2-510 A 5, 38.2-510 A 6, and 38.2-510 A 15 of the Code of Virginia by failing to comply with claim settlement practices; violated § 38.2-610 A 2 of the Code of Virginia by failing to give to applicants for insurance written notice of an adverse underwriting decision in the form approved by the Commission; violated §§ 38.2-1812 A and 38.2-1833 A 1 of the Code of Virginia by failing to comply with agent licensing requirements; violated § 38.2-3407.1 B of the

Code of Virginia by failing to pay interest at the legal rate of interest from the date of fifteen (15) working days from the Defendant's receipt of proof of loss to the date that the claim was paid; violated §§ 38.2-3407.14 A, 38.2-3407.14 B, 38.2-3407.15 B 1, 38.2-3407.15 B 2, 38.2-3407.15 B 3, 38.2-3407.15 B 4, 38.2-3407.15 B 5, 38.2-3407.15 B 6, 38.2-3407.15 B 7, 38.2-3407.15 B 8, 38.2-3407.15 B 9, 38.2-3407.15 B 10, and 38.2-3407.15 B 11 of the Code of Virginia by failing to comply with premium notice requirements and ethics and fairness requirements for business practices; violated § 38.2-3542 C of the Code of Virginia by failing to provide adequate notice of termination of coverage; and violated § 38.2-5804 A of the Code of Virginia by failing to comply with complaint system requirements.

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 Fifty-three Thousand Dollars (\$53,000), waived its right to a hearing, agreed to the entry by the Commission of a cease and desist order from future violations of §§ 38.2-510 A 6, 38.2-3407.14 A, 38.2-3407.14 B or 38.2-5804 A of the Code of Virginia, and agreed to comply with the Corrective Action Plan contained in the Target Market Conduct Examination Report as of March 31, 2009.

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

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

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein be, and it is hereby, accepted;

(2) The Defendant cease and desist from any future conduct that constitutes a violation of §§ 38.2-510 A 6, 38.2-3407.14 A, 38.2-3407.14 B or 38.2-5804 A of the Code of Virginia; and

(3) The papers herein be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Emery S. Hill, Manager, External Audit Coordination, GHMSI, 10455 Mill Run, Owings Mills, Maryland 21117; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Althelia P. Battle.