

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 28, 2020

SEC. CLERK'S OFFICE
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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2019-00199

GROUP HOSPITALIZATION AND
MEDICAL SERVICES, INC.,
Defendant

SETTLEMENT ORDER

Based on a target market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Group Hospitalization and Medical Services, Inc. ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated §§ 38.2-316 A and 38.2-316 C 1 of the Code of Virginia ("Code") by failing to use insurance policies or forms on file and approved by the Commission; § 38.2-510 A 6 of the Code by not attempting in good faith to make prompt, fair and equitable settlements of claims in which liability has become reasonably clear with such frequency as to indicate a general business practice; § 38.2-510 A 14 of the Code by failing to provide a reasonable explanation of the basis for denial of a claim with such frequency as to indicate a general business practice; § 38.2-610 A 1 of the Code by failing to provide written notice of an adverse underwriting decision; § 38.2-610 A 2 of the Code by failing to provide applicants with a summary of the rights established under subsection B of this section and §§ 38.2-608 and 38.2-609 on an adverse underwriting decision; § 38.2-1833 A 2 of the Code by failing to provide to the licensed agent a verification that the notice of appointment has been filed with the Commission within the 30-day period; § 38.2-1834 D of the Code by

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failing to comply with the Commission's notification requirements of the termination of agent appointments; § 38.2-3407.1 B of the Code by failing to pay interest on accident and sickness claim proceeds; § 38.2-3407.4 B of the Code by failing to accurately and clearly set forth in the explanation of benefits the benefits payable under the contract; §§ 38.2-3407.15 B 1, 38.2-3407.15 B 3, 38.2-3407.15 B 4, 38.2-3407.15 B 6, 38.2-3407.15 B 7, 38.2-3407.15 B 8, 38.2-3407.15 B 9, and 38.2-3407.15 B 11 of the Code by failing to demonstrate ethics and fairness in carrier business practices and by failing to include required provisions in provider contracts; §§ 38.2-3407.15:2 B 1, 38.2-3407.15:2 B 2, 38.2-3407.15:2 B 3, 38.2-3407.15:2 B 4, 38.2-3407.15:2 B 5, 38.2-3407.15:2 B 6, 38.2-3407.15:2 B 7, and 38.2-3407.15:2 B 8 of the Code by failing to demonstrate ethics and fairness in carrier business practices and by failing to include required provisions in carrier contracts; §§ 38.2-3418.17 A and 38.2-3418.17 D of the Code by failing to provide coverage for the diagnosis of autism spectrum disorder and the treatment of autism spectrum disorder in accordance with these sections; § 38.2-3442 A of the Code by applying cost sharing requirements to a service that contained a B rating from the U.S. Preventive Services Task Force; § 38.2-5804 A of the Code by failing to maintain its established complaint system approved by the Commission; § 38.2-5805 B of the Code by failing to maintain written copies of provider contracts; as well as 14 VAC 5-90-50 A of the Commission's Rules Governing Advertisement of Accident and Sickness Insurance, 14 VAC 5-90-10 *et seq.* ("Rules"), by failing to use the proper format and content in advertisements; 14 VAC 5-90-55 A of the Commission's Rules by failing to include the required disclosure regarding the exclusions and limitations of the policy; and 14 VAC 5-216-40 E 2 of the Commission's Rules Governing Internal Appeal and External Review, 14 VAC 5-216-10 *et seq.*, by failing to notify the insured of the final benefit determination within the required period of time.

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

The Defendant has been advised of the right to a hearing in this matter whereupon the Defendant, without admitting nor denying any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has agreed to comply with the corrective action plan contained in the target market conduct examination report of Group Hospitalization and Medical Services, Inc. as of December 31, 2016; has tendered to the Treasurer of Virginia the sum of Thirty-six Thousand Two Hundred Fifty Dollars (\$36,250); and has waived the right to a hearing.

The Bureau 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.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, 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 is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

A COPY of this order shall be sent by the Clerk of the Commission by electronic mail to:
 Jenene Williams, Senior Director, External Audit Coordination, CareFirst BlueChoice, Inc. at
jenene.williams@carefirst.com, 1501 South Clinton Street, Room 10147, Baltimore, Maryland
 21224; and a copy shall be delivered to the Commission's Office of General Counsel and the
 Bureau of Insurance in care of Deputy Commissioner Julie Blauvelt.