

COMMONWEALTH OF VIRGINIA
DOCUMENT CONTROL
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 9, 2002

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COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2002-00048

UNITED AMERICAN INSURANCE COMPANY,

Defendant

SETTLEMENT ORDER

Based on an investigation and subsequent allegations by the Bureau of Insurance, it appears that Defendant, duly licensed by the Commission to transact the business of insurance in the Commonwealth of Virginia, in certain instances, violated § 38.2-3407.14 of the Code of Virginia by failing to provide sixty day's written notice to its policyholders, contract holders, or subscribers, as appropriate (collectively, "policyholders"), of Defendant's intent to increase by more than thirty-five percent the annual premium charged for coverage under this section.

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 Defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that Defendant has committed the aforesaid alleged violations.

Defendant has been advised of its right to a hearing in this matter, whereupon Defendant has made an offer of settlement

to the Commission wherein Defendant has (1) tendered to the Commonwealth of Virginia the sum of ten thousand dollars (\$10,000); (2) waived its right to a hearing; (3) agreed to the entry by the Commission of a cease and desist order; (4) has provided written documentation of the number of affected policyholders and their corresponding form numbers, the affecting policyholders being any and all Virginia policyholders for whom a rate increase greater than 35% was applied without a full sixty-day advance notification, on or after July 1, 1999, the effective date of the statute; (5) has corrected its information system to fully comply with Code of Virginia §38.2-3407.14; (6) agreed to further reimburse, within sixty days of the date of this order, all affected policyholders the amount by which any premium increase applied to their policies exceeded 35%, for the entire period for which no notice, or insufficient notice was provided; and (6) agreed to provide to the Bureau of Insurance for its review prior to distribution, a draft of the letter that will accompany the reimbursements to affected policyholders, in which it should be noted that the reimbursement is the result of an audit conducted by the Bureau of Insurance.

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 be, and it is hereby, accepted;

(2) Defendant shall fully comply with the aforesaid terms and undertakings of the settlement;

(3) Defendant shall cease and desist from any conduct which constitutes a violation of § 38.2-3407.14 of the Code of Virginia; and

(4) The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding, or taking such other action it deems appropriate, in the event that Defendant fails to comply with the terms and undertakings of the settlement set forth herein.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Linzee Hakes Ruiz, Assistant Counsel, United American Insurance Company, 3700 South Stonebridge Drive, Post Office Box 8080, McKinney, Texas 75070-8080; Ben R. Lacy, IV, Esquire, Sands Anderson Marks & Miller, 801 East Main Street, Richmond, Virginia 23218; and the Bureau of Insurance in care of Deputy Commissioner Gerald A. Milsky.