

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 8, 2003

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2003-00125

GROUP HOSPITALIZATION AND
MEDICAL SERVICES, INC.,

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 as a health services plan and trading as CareFirst BlueCross BlueShield, in certain instances, violated § 38.2-3407.14 of the Code of Virginia by failing to provide in conjunction with the proposed renewal of certain of its contracts sixty (60) days' written notice to affected subscribers of its intent to increase by more than thirty-five percent (35%) the annual premium charged for coverage under such contracts.

The State Corporation Commission ("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

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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, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein Defendant has tendered to the Commonwealth of Virginia the sum of fifteen thousand dollars (\$15,000), waived its right to a hearing, and agreed to the entry by the Commission of a cease and desist order.

In addition, Defendant has agreed to (i) on or before August 22, 2003, reimburse all affected subscribers including, if applicable, those subscribers with anniversary dates of July, August, September, and October, the amount of any rate increase in excess of thirty-five percent (35%) for any month the subscriber did not receive a sixty (60) day notice prior to the rate increase, retroactive to July 1, 1999, the effective date of § 38.2-3407.14; (ii) on or before December 31, 2003, reimburse all affected subscribers with anniversary dates of July, August, September, and October, if applicable, any remaining amount of any rate increase in excess of thirty-five percent (35%) for any month the subscriber did not receive a sixty (60) day notice prior to the rate increase, retroactive to July 1, 1999, the effective date of § 38.2-3407.14; (iii) submit

to the Bureau of Insurance for its review prior to each of the foregoing disseminations a draft of the letter that will accompany the reimbursement to affected subscribers; and (iv) upon completion of each of the foregoing reimbursement processes, notify the Bureau of Insurance in writing of the total number of subscribers so reimbursed and the total amount of the reimbursements.

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 cease and desist from any conduct which constitutes a violation of § 38.2-3407.14 of the Code of Virginia;

(3) On or before August 22, 2003, Defendant reimburse all affected subscribers including, if applicable, those subscribers with anniversary dates of July, August, September, and October,

the amount of any rate increase in excess of thirty-five percent (35%) for any month the subscriber did not receive a sixty (60) day notice prior to the rate increase, retroactive to July 1, 1999, the effective date of § 38.2-3407.14;

(4) On or before December 31, 2003, reimburse all affected subscribers with anniversary dates of July, August, September, and October, if applicable, any remaining amount of any rate increase in excess of thirty-five percent (35%) for any month the subscriber did not receive a sixty (60) day notice prior to the rate increase, retroactive to July 1, 1999, the effective date of § 38.2-3407.14;

(5) Defendant submit to the Bureau of Insurance for its review prior to each of the foregoing disseminations a draft of the letter that will accompany the reimbursement to affected subscribers; and

(6) Upon completion of each of the foregoing reimbursement processes, Defendant notify the Bureau of Insurance in writing of the total number of subscribers so reimbursed and the total amount of the reimbursements.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Jimmy W. Riggs, CPA, CFE, Assistant General Auditor, CareFirst BlueCross BlueShield, 10455 Mill Run Circle, Owings Mills, Maryland 21117-5559; and the Bureau of Insurance in care of Deputy Commissioner Gerald A. Milsky.