

**PRINCIPAL LIFE  
INSURANCE COMPANY**

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**CONSENT AGREEMENT  
Docket No. MCINS 98-42**

This document is a Consent Agreement, authorized by 5 M.R.S.A. § 9053(2) entered into by and among Principal Life Insurance Company (hereafter also "*Principal*") and the Superintendent of the Maine Bureau of Insurance (hereafter also the "*Superintendent*"). Its purpose is to resolve, without resort to an adjudicatory proceeding, violations of Title 24-A M.R.S.A. § 2849-B.

**FACTS**

1. Principal has been licensed as a Maine Authorized Life and Health Insurer, Licensee # LHF 406, since August 6, 1956.
2. The Superintendent of Insurance is the official charged with administering and enforcing Maine's insurance laws and regulations.
3. Public Law Chapter 332, effective September 29, 1995, amended Maine's Continuity Law to extend the law's protections to persons purchasing Medicare Supplement insurance. As of September 29, 1995, so long as application is made within the time frames prescribed by law, an insurer offering Medicare supplements to individuals in Maine is prohibited from declining to issue such coverage to an otherwise eligible applicant due to the applicant's medical condition.
4. On August 11, 1995, the Bureau issued Bulletin 250, New Laws Affecting Health Insurance. Among other things, the Bulletin advised that as of September 29, 1995, "the continuity law will now apply to Medicare Supplement policies." Bulletin 250 was mailed to all Maine licensed health insurers.
5. In 1996, the Bureau received information suggesting that Principal was inappropriately medically underwriting and declining Medicare Supplement insurance applicants entitled to purchase such coverage pursuant to the protections afforded by Maine's Continuity Law.
6. The Bureau and Principal proceeded to correspond on this issue from June 11, 1997 through July 21, 1998. Principal wrote to the Bureau on May 28, 1998 stating:

*During March of 1996, we were notified by the Maine Insurance Department that the continuity of coverage provisions did apply to our Medicare Supplement policies. On March 28, 1996 we notified our District offices of the change in procedures and we have followed procedures to be in compliance since that date.*

7. Principal has researched its administration of Medicare Supplement applications subsequent to September 29, 1995, and has determined that 8 Maine applicants were improperly medically underwritten.

### **CONCLUSIONS OF LAW**

8. Principal violated Title 24-A M.R.S.A. § 2849-B by improperly medically underwriting and declining for coverage Maine Medicare Supplement applicants eligible for such coverage.

### **COVENANTS**

9. A formal hearing in this matter is waived and no appeal will be taken. This Consent Agreement is an enforceable final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act.

10. At the time of executing this Agreement, Principal shall pay to the Maine Bureau of Insurance a penalty in the amount of sixteen thousand dollars (\$16,000.00) payable to the Treasurer of the State of Maine.

11. Prior to or at the time of executing this Agreement, Principal will provide the Bureau with copies of all applications submitted by Maine residents who applied for Medicare Supplement coverage on or after September 29, 1995, and who were medically underwritten and declined for coverage. The required applications will be sorted to include the following categories:

- a. applicant indicated the coverage being applied for would replace comparable coverage;
- b. applicant indicated coverage being applied for would replace Medicare Supplement coverage with lesser benefits;
- c. applicant indicated no prior Medicare Supplement coverage
- d. applicant failed to indicate whether or not the coverage being applied for would replace existing Medicare Supplement coverage and/or did not indicate what Medicare Supplement coverage they were seeking to replace

12. All applicants for Medicare Supplement coverage medically underwritten and denied for coverage in violation of the Continuity Law will be identified by Principal and mailed a Bureau approved letter which:

- a. explains they were improperly denied the coverage they applied for;
- b. invites them to reapply;
- c. advises them that if they retained coverage comparable to that applied for and improperly denied by Principal, or purchased alternative comparable coverage as a result of Principal's improper declination, Principal will, upon presentation of appropriate proof of coverage and premium paid, refund the difference plus interest if the retained or replacement coverage exceeded the cost of the Principal coverage applied for. The letter must: a) advise the recipient of the cost of the coverage applied for and improperly denied; b) must provide a Principal contact person and phone number for further information; and, c) must advise that questions may also be directed to Alice Knapp,

Staff Attorney, State of Maine Bureau of Insurance, 1-800-300-5000 x 48461 or (207) 624-8461. Additionally, the letter must advise the recipient that they have 60 days from the date of the letter to reapply for coverage and/or submit documentation in support of a refund request.

13. Prior to or at the time of executing this Agreement, Principal will provide the Bureau with a certificate of mailing evidencing that the letters referenced in paragraph 12 have been mailed. The date on the letters must correspond with the date of mailing.

14. Prior to or at the time of executing this Agreement, Principal will provide the Bureau with a Bureau approved compliance plan identifying with specificity the steps Principal has taken to ensure compliance with the requirements of Maine's continuity law. The Plan must identify how Maine residents access Principal Medicare Supplement Coverage, and must document Principal's communication to key internal staff and its sales force regarding the requirements of law and the availability of coverage.

**MISCELLANEOUS**

15. Principal understands and acknowledges that this Agreement will constitute a public record within the meaning of 1 M.R.S.A. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408.

16. It is understood by the parties to this Agreement that nothing herein shall affect any rights or interests that any person not a party to this Agreement may possess.

17. This Consent Agreement may only be modified by the written consent of the parties.

18. Principal has been advised of its right to consult with counsel and has, in fact, consulted with counsel before executing this Agreement.

**FOR PRINCIPAL LIFE  
INSURANCE COMPANY:**

Dated: \_\_\_\_\_, 1998

By: \_\_\_\_\_  
Signature

For: \_\_\_\_\_  
Typed Name

\_\_\_\_\_  
Typed Title

Subscribed and Sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

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Notary Public

Dated: \_\_\_\_\_, 1998

STATE OF MAINE  
KENNEBEC, SS.

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

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Notary Public/Attorney-at-Law

**FOR THE MAINE  
BUREAU OF INSURANCE**

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**Alessandro A. Iuppa  
Superintendent of Insurance**

**FOR THE MAINE  
ATTORNEY GENERAL**

Dated: \_\_\_\_\_, 1998

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**JUDITH SHAW CHAMBERLAIN  
Assistant Attorney General**