

STATE OF NORTH DAKOTA

BEFORE THE COMMISSIONER OF INSURANCE

In the Matter of)
)
Pioneer Life Insurance Company,)
FEIN 37-0844470,)
)
Respondent.)

CONSENT ORDER

Commissioner of Insurance Jim Poolman (hereinafter "Commissioner") has determined as follows:

1. The Commissioner has authority in this matter pursuant to N.D. Cent. Code Title 26.1 and N.D. Cent. Code § 28-32-05.1.

2. Pioneer Life Insurance Company, FEIN 37-0844470 (hereinafter "Respondent"), is a foreign insurance company domiciled in Rockford, Illinois, and licensed to do business in North Dakota pursuant to N.D. Cent. Code Chapter 26.1-11.

3. The Commissioner has jurisdiction over the Respondent and the subject matter of this Consent Order is made in the public interest.

4. On or about July 1999, the Department received a complaint regarding Respondent's handling of claims from one of its insureds. As a result of information obtained during the investigation process and in response by Respondent, it was discovered that in June 1998 Respondent implemented a premium increase of 9.2 %, which was made up of a 5.7 % increase for a nationwide medical trend as well as a 3.5 % compliance adjustment to align existing rates with those of new business. The trend increase was approved with continuation through 1997. According to Department records, both the 5.7% trend increase and the 3.5% compliance adjustment were approved.

5. In December 1998, Respondent implemented a 10.9 % increase due to a 1.8% attained age adjustment as well as a 5.8% increase for a nationwide medical trend and a 3.5% compliance adjustment. According to Department records, both the trend and compliance adjustments were approved in September 1998.

6. In June 1, 1999, Respondent implemented a 9.1% increase for a nationwide medical trend as well as a 3.2 % compliance adjustment. According to Department records, no approval was received for the trend increase or the compliance adjustment. In August 1998, the Department approved Respondent's prior trend increases commencing the 3rd quarter and ending the 4th quarter 1998. Therefore, the Department did not approve a trend increase after June 1999.

7. In a response to the Department's request for further explanation of compliance adjustment implemented, dated September 1, 2000, Respondent stated that "the adjustment was for contracts with premiums below new business rates, or actuarial base rates, an adjustment is made to bring them closer together."

8. In response to the Department's request, Respondent admitted in a letter dated October 16, 2000, that the "trend increases should have stopped June 30, 1999, on the PLI forms."

9. N.D. Cent. Code § 26.1-30-19 states, in part:

No insurance policy, contract, agreement, or rate schedule may be issued or delivered in this state until the form of that policy, contract or agreement, or rate schedule has been filed with and approved by the commissioner.

10. N.D. Cent. Code § 26.1-36.3-04(2)(g) requires that all small employers be in compliance with the small employer rate bands by August 1, 1996.

11. Respondent's use of trend rate increases past the approval date and for the unapproved compliance adjustment is in violation of N.D. Cent. Code §§ 26.1-30-19 and 26.1-36.3-04(2)(g).

12. As a result of information obtained by the Department regarding the conduct of Respondent, the Commissioner has considered scheduling a formal hearing to determine whether Respondent's conduct, as alleged, constitutes a basis for imposition of civil penalty, or any action that the Commissioner deems necessary.

13. As a result of the above violation, under N.D. Cent. Code § 26.1-01-03.1 Respondent is subject to payment of an administrative monetary penalty of up to \$10,000.

14. Respondent has agreed to an informal disposition of this matter, without a hearing, as provided under N.D. Cent. Code § 28-32-05.1.

15. For purposes of resolving this matter, without further administrative proceedings, Respondent and the Commissioner have agreed to enter the following Order:

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent is assessed a monetary penalty in the amount of \$5,000 which shall be paid within fifteen (15) days of the execution of this Order.

2. Respondent will return all unapproved trend rate increases to the affected policyholders and provide a listing of those affected policyholders to the Department.

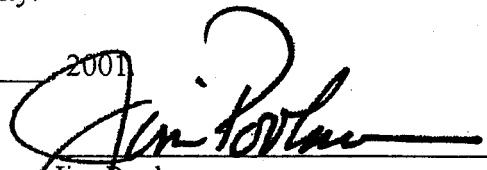
3. Respondent must refund the unapproved trend increases to existing policyholders but may do so by delaying the implementation of future rate increases for those policyholders. Respondent must refund the applicable unapproved rate increase to policyholders whose coverage has terminated or policyholders whose policy has lapsed.

4. Respondent must come into compliance with the rating bands of N.D. Cent. Code § 26.1-36.3-04(2)(g) by the policyholder's next renewal date following appropriate notice, except for Policy No. NG6003001A which must be brought into compliance by May 2003.

5. The use of this Consent Order for competitive purposes by an insurance agent or agency holding a license in the State of North Dakota, or by any company holding a Certificate of

Authority, or by anyone on their behalf, may be deemed unfair competition and be grounds for suspension or revocation of said license or authority.

DATED this 14th day of June, 2001



Jim Poolman
Commissioner of Insurance
State of North Dakota


CONSENT TO ENTRY OF ORDER

The undersigned, Brian Camling, on behalf of Pioneer Life Insurance Company, states that he/she has read the foregoing Consent Order, that he/she knows and fully understands its contents and effect; that he/she has been advised of his/her right to be represented by legal counsel, his/her right to a hearing in this matter, his/her right to present evidence and arguments to the Commissioner, and his/her right to appeal from an adverse determination after hearing; and that by the signing of this Consent to Entry of Order he/she waives those rights in their entirety, and consents to entry of this Order by the Commissioner of Insurance. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either expressed or implied.

DATED this 12th day of June, 2001.

Pioneer Life Insurance Company
By: Brian Camling
Name
Vice President
Title

Subscribed and sworn to before me this 12th day of June, 2001.



Notary Public

My commission expires: October 29, 2002

