

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

In the Matter of **National Health Insurance Company.** ) **STIPULATION** and  
 ) **FINAL ORDER**  
 ) Case No. INS 02-10-001

**STIPULATION**

The Director of the Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take disciplinary action against National Health Insurance Company (NHIC or party).

The party enters into this Stipulation, pursuant to ORS 183.415(5), to conclude this proceeding without further administrative or judicial proceedings.

The party waives the right to receive a notice of proposed action, to receive a notice of the rights of a party and procedures in contested cases, to have a hearing, to be represented by an attorney at the hearing, and to judicial review of the Final Order.

The party admits and agrees to the following facts, conclusions, and action.

**Facts and Conclusions**

Licensing

NHIC has been licensed in Oregon as an insurer since 8/13/81. NHIC's Oregon Insurance Division company number is 2348 and its NAIC identification number is 82538. NHIC's principal mailing address is PO Box 619999, Dallas, TX 75261-6199.

Failing to Conduct Reasonable Investigation of Claims

NHIC violated ORS 746.230(1)(d) in 342 instances by engaging in the following conduct. ORS 743.728 requires all health insurance policies issued to persons residing in Oregon to include, among other things, coverage for both annual pelvic examinations and annual Pap smear examinations, for women 18 to 64 years of age. Since late 1999, NHIC had issued individual health insurance policies, based on form USAI+100 (10/99), to persons residing in Oregon. The policies did not cover routine physical examinations for adult insureds. However, the policies did cover annual pelvic examinations and cervical cytologic screenings, also known as Pap smear examinations, for female insureds. However, NHIC interpreted its policy to cover annual pelvic examinations of female insureds only when they included Pap smear examinations. From 2000 to March 2002, NHIC received 342

claim forms from female insureds residing in Oregon for annual pelvic examinations or Pap smear examinations or both. However, the claim forms indicated that the claims were for only periodic physical examinations. Consequently, NHIC denied all of the claims without investigating whether the examinations included pelvic examinations or Pap smear examinations or both. In February 2002, the Insurance Division received a complaint from one of the denied claimants. In March 2002, the Insurance Division informed NHIC of the requirements of ORS 743.728(1). From March to June 2002, NHIC reviewed the denied claims, and paid a total of \$61,592.41 to the claimants, as well as corrected NHIC's claim system to properly investigate and pay for such covered claims.

**Action**

Pursuant to ORS 731.988, NHIC shall pay a civil penalty of \$15,000. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered or mailed to the Insurance Division at 350 Winter Street NE, Room 440, Salem, OR 97301-3883. The payment shall be received by the Insurance Division by the date of the Final Order.

Dated October 22, 2002

/s/ G. Scott Smith  
[Signature of Representative]

G. Scott Smith  
[Printed Name of Representative]

President and Chief Executive Officer  
[Printed Title of Representative]

National Health Insurance Company

**FINAL ORDER**

The director adopts and incorporates herein by this reference the above Stipulation as the director's final decision in this proceeding.

Dated October 29, 2002

/s/ Mary C. Neidig  
Mary C. Neidig  
Director  
Department of Consumer and Business Services

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