

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. INS-18-0046

CENTRAL STATES INDEMNITY CO. OF
OMAHA, a Nebraska corporation,

Respondent.

ORDER TO CEASE AND DESIST,
FINAL ORDER ASSESSING CIVIL
PENALTY, AND CONSENT TO
ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”) chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750 and the administrative rules promulgated thereunder (“Insurance Code”), has conducted an investigation into the activities of Central States Indemnity Co. of Omaha (“Respondent”). Respondent fully cooperated with the investigation. The Director has determined that Respondent engaged in violations of the Insurance Code.

Respondent wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, Respondent hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. Respondent has held an Oregon insurer license since June 29, 1982. Respondent’s NAIC number is 34274.
2. Respondent’s principal place of business is 1212 N. 96th St., Omaha, NE 68114.
3. Beginning June 1, 2017, Respondent made a procedural change whereby it increased the premium rates of its customers’ Medicare supplement insurance policies on each policyholder’s next premium due date rather than on the policy’s annual anniversary.

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1 4. Prior to implementing this procedural change, Respondent relied on their third-
2 party administrator to research and identify any states in which the change would violate
3 state law. The third-party administrator provided Respondent with a list of such states and
4 the list mistakenly excluded Oregon.

5 5. In or around 2017, Respondent increased the premium rates of 804 Oregon
6 Medicare supplement policies more than once in a 12-month period.

7 6. As a result of the foregoing rate increases, Respondent received \$74,257.06 in
8 excessive premium funds. Upon discovering that the rate increases violated Oregon law,
9 Respondent promptly reimbursed the excessive premium funds.

10 CONCLUSIONS OF LAW

11 The Director CONCLUDES that:

12 7. By increasing the premium rates for Oregon Medicare supplement insurance
13 policies more than once in a 12-month period, Respondent violated Oregon Administrative
14 Rules (“OAR”) 836-052-0151(3)(b) in 804 instances.

15 8. Because the Director has reason to believe that Respondent has been engaged,
16 is engaging, or is about to engage in violation of the Insurance Code, the Director may
17 issue an order to Respondent to cease and desist, under ORS 731.252(1).

18 9. The Director may impose a civil penalty of up \$10,000 *per violation* upon any
19 person who violates a provision of the Insurance Code, under ORS 731.988(1).

20 ORDERS

21 Now therefore, the Director issues the following Orders:

22 10. Based upon the foregoing and as authorized by ORS 731.252(1), the Director
23 ORDERS Respondent to CEASE AND DESIST from violating any provision of the
24 Insurance Code.

25 11. Based upon the foregoing and as authorized by ORS 731.988(1), the Director
26 ORDERS that Respondent be subject to a CIVIL PENALTY of \$60,000 for violating OAR

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1 836-052-0151(3)(b) in 804 instances.

2 12. The CIVIL PENALTY assessed herein (\$60,000) is due and payable on the
3 effective date of this Order.

4 13. This Order is binding upon Respondent's successors and assigns.

5 SO ORDERED this 8th day of November, 2018.

6
7 CAMERON C. SMITH, Director
8 Department of Consumer and Business Services

9 /s/ Dorothy Bean
10 Dorothy Bean, Chief of Enforcement
11 Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, John E. Kizer, state that I am an officer of Respondent and am authorized to act on its behalf. I have read the foregoing Order and know and fully understand the contents hereof. I have been advised of Respondent’s right to a hearing and right to be represented by counsel in this matter. Respondent voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. Respondent understands that the Director reserves the right to take further actions against it to enforce this Order or to take appropriate action upon discovery of other violations of the Insurance Code with the terms and conditions stated herein.

Respondent further assures the Director that neither Respondent nor its officers, directors, employees, or agents will effect insurance services in Oregon unless such activities are in full compliance with the Insurance Code. Respondent understands that this Consent Order is a public document.

Signature: /s/ John E. Kizer

Position Held: President

State of Nebraska

County of Douglas

Signed or attested before me on this 31st day of October, 2018

by John E. Kizer.

/s/ Audrey G. Owens

Notary Public

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