

**STATE OF MINNESOTA
COMMISSIONER OF COMMERCE**

In the Matter of Rate Increases Submitted for Approval by
Fortis Insurance Company and John Alden Life Insurance
Company

CONSENT ORDER

TO: Nan A. Remus
Faegre & Benson, L.L.P.
2200 Wells Fargo Center
90 South Sixth Street
Minneapolis, MN 55402-3901

Commissioner of Commerce James C. Bernstein (hereinafter "Commissioner") has determined as follows:

1. The Commissioner has advised Fortis Insurance Company and John Alden Life Insurance Company (hereinafter "Respondent") that as a result of an investigation by the Commissioner concerning Respondent's conduct as a corporation engaged in the business of insurance in Minnesota, the Commissioner is prepared to commence formal proceedings in accordance with the provisions of Minn. Stat. § 45.027 (2000) against Respondent's Certificate of Authority to engage in the business of insurance in Minnesota based on allegations that when filing for a rate increase in early 2001, Respondent "provided false, misleading, or incomplete information to the Commissioner" in violation of Minn. Stat. § 45.027, subd. 7 (a) (3); and that Respondent failed to timely submit annual rate filings for individual health plans in violation of Minn. Stat. § 62A.021, subd. 1 (c).

2. Respondent denies the allegations contained in this Consent Order and further denies any violation of Minnesota law.

3. Respondent acknowledges that it has been advised of its rights to a hearing in this matter, to present argument to the Commissioner and to appeal from any adverse determination after a hearing, and Respondent hereby expressly waives those rights. Respondent further acknowledges that it has been represented by legal counsel throughout these proceedings.

4. Respondent has agreed to an informal disposition of this matter without a hearing, as provided under Minn. Stat. § 14.59 (2000) and Minn. R. 1400.5900 (1999).

5. The following Order is in the public interest.

NOW THEREFORE, IT IS HEREBY ORDERED,

1. The following definitions shall apply to this Order:

a) *Old Block* means all individual health plan policies sold by Respondents prior to October 1, 2002.

(b) *New Block* means all individual health plan policies sold by Respondents on or after October 1, 2002.

2. Respondents shall file rates for individual health plans annually in accordance with Minnesota law.

3. Respondents shall cap renewal rate increases for the Old Block at medical trend (currently 17% annually) plus a catch-up of 10 % and adjusted for any changes in age or plan until such time that the rates for the Old Block and the New Block are substantially equal.

4. This Order does not preclude Fortis from making additional rate filings in accordance with Minnesota law.

5. Respondents shall effect rate increases for individual health insurance plans on the anniversary date of the policy or as soon as possible thereafter. For active policyholders, the date of their next rate increase will be deemed to be their anniversary date.

6. The Fortis 2002 renewal rate filings currently pending approval by the Department cap renewal rate increases at medical trend (currently 17% annually) plus a catch-up of 10% and adjusted for changes in age or plan. These renewal rates will be approved with an effective date of February 1, 2003 on the condition that Fortis provides the Commissioner with new rate tables that actually reflect the new approved rate levels by November 30th, 2002.

7. Respondents shall, for the 24-month period beginning with February, 2003, submit a monthly report, identifying all individual health plan policies that received a rate change during the month, within 60 days after the end of the month. The report shall contain, for each policyholder: (a) the individual policy number; (b) the policy form number; (c) the plan of

benefits; (d) the ages of the insureds; (e) the last renewal date; (f) the prior premium rate for the insured; (g) the new premium rate for the insured.

FURTHER, IT IS HEREBY ORDERED,

8. Respondent Fortis will issue a premium refund to both active and lapsed Old Block policyholders who received a premium rate increase during 2001 or 2002 that exceeded an amount equal to a trend of 17% annually plus a catch-up of 10%, as a result of Fortis' administrative error in implementing 1999 rate filings.

9. The amount of the refund for each such active and lapsed policyholder shall be the premium paid less the amount that should have been paid for the period beginning on the date of their 2001 or 2002 premium increase through January 31, 2003. The amount that should have been paid by each such policyholder shall be based upon a renewal rate increase cap of medical trend (currently 17% annually) plus a catch-up of 10% and for any changes in age or plan. Fortis shall issue refunds on or before March 1, 2003. For example, if the previous renewal was 18 months prior, the new rate should be no more than (the old rate) x (1.17 to the power of 1.5) x (1.1) x (age change) x (plan change).

10. Respondents shall, on or before March 31, 2003, provide the Commissioner with a report identifying the individuals who received refunds under paragraphs 8 and 9 and the amount of premium refunded.

FURTHER, IT IS HEREBY ORDERED, that Respondents shall pay a civil penalty of Twenty-Five Thousand Dollars (\$25,000) and shall reimburse the State of Minnesota an additional Fifty Thousand Dollars (\$50,000) for its investigative costs.

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 11/5/02

By: 

JAMES C. BERNSTEIN
Commissioner
85 Seventh Place East, Suite 500
St. Paul, Minnesota 55101
Telephone: (651)296-2594

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of Fortis Insurance Company and John Alden Life Insurance Company, states that it has read the foregoing Consent Order; that it knows and fully understands its contents and effect; that it is authorized to execute this Consent to Entry of Order on behalf of Respondents; that it has been advised of Respondents right to a hearing; that Respondents have been represented by legal counsel in this matter; and that it consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the settlement agreement between the parties hereto.

**FORTIS INSURANCE COMPANY &
JOHN ALDEN LIFE INSURANCE COMPANY**

By: *Ann Mayberry*

Its: Sr. VP, Gen. Counsel & Secy

STATE OF Wisconsin

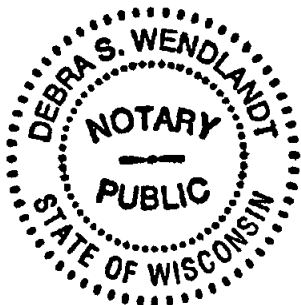
COUNTY OF Milwaukee

This instrument was acknowledged before me on 10-31-02 (date) by Ann Mayberry-French

(name(s) of person(s)) as Sr. VP, Gen. Counsel + Secy (type of authority, e.g., officer, trustee, etc.) of

Fortis Insurance Co. (name of party on behalf of whom the instrument was executed).
John Alden Life Insurance Co.

(stamp)



Debra S. Wendlandt
(Signature of notary officer)

Title (and Rank)

My commission expires: 5/22/05