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STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of:)
)
PIONEER LIFE INSURANCE CO.)
OF ILLINOIS,)
)
Respondent.) Case No. D97-01

CEASE AND DESIST ORDER

TO: Pioneer Life Insurance Company of Illinois
P.O. Box 120
304 North Main Street
Rockford, Illinois 61105-0120

Attn: Thomas Brophy, President

The Division of Insurance has determined that Pioneer Life Insurance Company of Illinois ("Pioneer") has engaged in activity in violation of the Alaska insurance code (AS 21). Specifically, Pioneer's claims administration for individual health insurance policies violates the following provisions of Alaska law for the reasons indicated:

Violation of Unfair Claims Settlement Practices Act --

Pioneer is engaged in a business practice in violation of AS 21.36.125(1) and (6) through its payment of claims under individual health policies based upon treatment provided by a Preferred Provider Organization (PPO). Pioneer's

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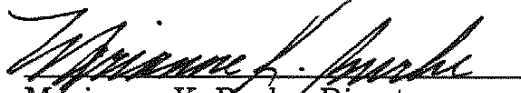
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practice involves erroneously applying a provision of the schedule of benefits in its insurance policy requiring that a PPO be located within 50 miles from the insured's residence. The practice has resulted in insureds receiving benefits at a reduced co-payment rate.

Pioneer is hereby ordered to cease and desist from further violating Alaska law as addressed in this order. Continued transaction of the business of insurance resulting in further violations as set forth in this order will be considered a gross and wilful violation of applicable law, and will subject Pioneer to all remedies available to the Division of Insurance under AS 21.

This order is effective immediately.

Dated this 11th day of April, 1997 at Anchorage, Alaska.


Marianne K. Burke, Director
Division of Insurance

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In the Matter of:)
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PIONEER LIFE INSURANCE CO.)
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Respondent.)
_____)

Case No. D97-01

DECISION AND ORDER

On July 28, 1998, a hearing was held in the above-referenced matter before the director for the division of insurance for purposes of providing oral argument regarding the imposition of penalties on Pioneer Life Insurance Co. of Illinois ("Pioneer") for admitted violations of the Insurance Code (AS 21). After review of the record and consideration of the parties' argument, the director makes the following findings of fact and conclusions of law:

Findings of Fact

- 1) The director adopts and incorporates by reference the Stipulation of Facts executed by the parties on July 13, 1998, which is attached to this Decision and Order.
- 2) Under the above-referenced stipulation, Pioneer has admitted to multiple violations of AS 21.36.125(1) by misrepresenting the coverage terms of its

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health care certificates when it failed to make claim payments at the in-network rates required by its policy. Pioneer's erroneous failure to pay claims at the appropriate in-network rates has impacted a total of 262 claims since 1991 when Pioneer began providing certificates of insurance to Alaska residents with some form of preferred provider component. (See Stipulation of Facts, paragraphs 13, 14, and 15.)

Conclusions of Law

1) The Director of the Division of Insurance has authority under AS 21.36.320 and AS 21.90.020 to assess a civil penalty for Pioneer's violations of the insurance code.

2) Pioneer's multiple violations of AS 21.36.125(1) constitute a basis to assess a civil penalty under AS 21.36.320 and under AS 21.90.020 of not more than \$2,500 for each violation or to assess a civil penalty under AS 21.36.320 of not more than \$25,000 for engaging in a general business practice in violation of AS 21.36.

3) Pioneer's actions described herein and in the Stipulation of Facts constitutes a general business practice for purposes of AS 21.36.320(d) based on Pioneer's erroneous treatment of 262 claims since 1991.

Final Order

Based on the foregoing findings of fact and conclusions of law, the Director orders that:

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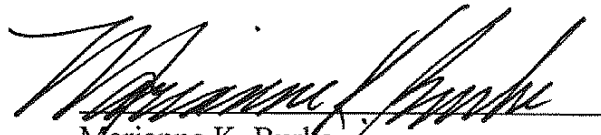
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1) Pioneer Life Insurance Co. of Illinois shall pay a civil penalty of \$25,000 for its violations of the insurance code within 30 days of the date of this order.

2) As agreed to in the Stipulation of Facts, Pioneer Life will review all claims payments made to Alaska insureds each six months for two years from the date of this order and will send the Division of Insurance a report describing its review and identifying any instances during the period in which any erroneous failure to apply the in-network rates occurs.

This order constitutes the final order in this matter.

DATED this 3rd day of September, 1998, at Anchorage, Alaska.



Marianne K. Burke
Director, Division of Insurance