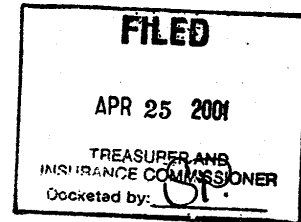




THE TREASURER OF THE STATE OF FLORIDA  
DEPARTMENT OF INSURANCE



TOM GALLAGHER

IN THE MATTER OF:

CASE NO.: 40506-01-CO

**PENN TREATY NETWORK AMERICA INSURANCE  
COMPANY**

Life and Health Target Market Conduct Examination

**CONSENT ORDER**

THIS CAUSE came on for consideration as the result of an agreement between **PENN TREATY NETWORK AMERICA INSURANCE COMPANY** hereinafter referred to as "**PENN TREATY**" and the **FLORIDA DEPARTMENT OF INSURANCE**, hereinafter referred to as the "**DEPARTMENT**". Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the Treasurer and Insurance Commissioner, as head of the **FLORIDA DEPARTMENT OF INSURANCE**, hereby finds as follows:

1. The Treasurer and Insurance Commissioner, as head of the **DEPARTMENT**, has jurisdiction over the subject matter of, and parties to, this proceeding.
2. **PENN TREATY** is a foreign insurer authorized to transact life and health insurance business in Florida and is subject to the jurisdiction and regulation of the **DEPARTMENT** pursuant to the Florida Insurance Code.
3. The **DEPARTMENT** has conducted a life and health market conduct target examination of **PENN TREATY**, pursuant to Section 624.3161, Florida Statutes as of June 30,

2000. As a result of such examination, the **DEPARTMENT** determined that **PENN TREATY** committed the following violations of the Florida Statutes:

- a. Section 627.410(6)(e)(1), Florida Statutes – Failure to provide notification to the **DEPARTMENT**, in writing, of its decision to discontinue the availability of policy forms within thirty (30) days.
- b. Section 627.613(2), Florida Statutes – Failure to assure that insureds are notified that their claims are being contested within forty-five (45) days following receipt of claim.
- c. Section 627.613(6), Florida Statutes – Failure to include interest on all overdue claim payments.
- d. Section 626.9541(1)(i)(3)(b), Florida Statutes – Failure to assure that insurance policy provisions relating to coverage are not misrepresented.
- e. Section 626.9541(1)(i)(3)(a), Florida Statutes – Failure to adopt and implement standards for the proper investigation of claims.
- f. Section 626.9541(1)(i)(3)(c), Florida Statutes – Failure to assure that communications, with respect to claims, are acknowledged and acted upon properly.
- g. Section 626.9541(1)(o)(2), Florida Statutes – Failure to provide adequate agency training to assure that premiums disclosed are premiums filed.
- h. Section 626.6043(1), Florida Statutes – Failure to provide required notice and reason of cancellation when policies are being cancelled.
- i. Section 626.9541(1)(b)(4), Florida Statutes – Use of statements that are deceptive and misleading in sale and marketing of “AllRisk Healthcare” product.

j. Section 626.9541(1)(a)(1), Florida Statutes – Use of a practice known as “misrepresentation”.

4. **PENN TREATY** is directed to audit the policies written by the aforementioned agents to determine any unfair and deceptive marketing practices. Such audit shall be provided in writing to the **DEPARTMENT** within ninety (90) days of the execution of this Consent Order.

5. **PENN TREATY** is directed to implement a plan for detecting and monitoring replacement activities to ensure a demonstrable benefit to the policyholder and furnish same to the Department, in writing within 90 days of the execution of this Consent Order.

6. The **DEPARTMENT** and **PENN TREATY** expressly waive a hearing in this matter, and the making of Findings of Fact and Conclusions of Law by the **DEPARTMENT** and all further and other proceedings herein to which the parties may be entitled by law or rules of the **DEPARTMENT**. **PENN TREATY** hereby knowingly and voluntarily waives all rights to challenge or to contest this Order, in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

7. **PENN TREATY** agrees that the failure to adhere to one or more of the terms and conditions of this Order shall constitute a violation of a lawful order of the **DEPARTMENT**, and shall subject **PENN TREATY** to such administrative action as the Treasurer and Insurance Commissioner may deem appropriate.

8. **PENN TREATY** agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

(a) **PENN TREATY** shall pay an administrative penalty of \$11,000 and administrative costs of \$2,000, on or before the 30th day after this Consent Order is executed.

(b) **PENN TREATY** shall henceforth comply with all of the provisions of the Florida Insurance Code and Florida Statutes.

(c) **PENN TREATY** is hereby place on notice of the requirements of the above referenced sections of law and agrees that any future violations of these section by **PENN TREATY** may be deemed willful, subjecting **PENN TREATY** to appropriate penalties.

9. Except as noted above, each party to this action shall bear its own costs and attorney's fees except as otherwise provided.

10. **THEREFORE**, the agreement between **PENN TREATY** and the **DEPARTMENT**, the terms and conditions of which are set forth above, is approved.

**FURTHER**, all terms and conditions above are hereby **ORDERED**.

**DONE AND ORDERED** this day 25TH, of APRIL 2001.



**KEVIN MCCARTY** *l*  
Deputy Insurance Commissioner

By execution hereof **PENN TREATY** consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein.

I am authorized to execute this document

By: \_\_\_\_\_

Title: Executive Vice President

Date: March 29, 2001

COPIES FURNISHED TO:

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