

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of The EPIC Life Insurance Company)
) Docket No. 2898-SO

SUMMARY ORDER

Pursuant to the authority granted the Commissioner of Insurance by K.S.A. 40-2,125 and K.S.A. 77-537,

I, Kathleen Sebelius, the duly elected, qualified, and acting Commissioner of Insurance of the State of Kansas, hereby assert the following findings of fact, conclusions of law, and order, to wit:

Findings of Fact

1. EPIC Life Insurance Company, is a stock life insurance company admitted in the State of Kansas on October 31, 1989.
2. EPIC Life Insurance Company (hereinafter referred to as EPIC) has a current business address of 6801 Southtowne Drive, Madison, Wisconsin, 53713.
3. On October 20, 1999 EPIC sent a letter to Western Trailer Service who was carrying a small group health insurance policy with EPIC. That letter is attached to this Order as Exhibit A.
4. In that letter EPIC offered to renew their medical coverage with EPIC. However, there were “adjustments made to the health plan that may significantly impact your decision.” Further in that letter, EPIC touted Trustmark Insurance Company as a good alternative to the coverage that EPIC was offering.

5. When the attached letter came to the attention of the Insurance Department, the Insurance Department began investigating what EPIC's status would be in the future in the small group market in Kansas.

6. On April 18, 2000, representatives of the Kansas Insurance Department met with representatives of EPIC by conference call.

7. In that conference call and by subsequent correspondence from EPIC, it was EPIC's position that they were re-focusing their marketing strategies in Kansas to ancillary lines such as life and disability.

8. EPIC was no longer actively marketing small group health products. EPIC would renew any groups that wish to continue with EPIC, but EPIC was steering small group health customers to Trustmark.

9. It is the position of the Kansas Insurance Department that EPIC was exiting the small group market in Kansas as set out in K.S.A. 1999 Supp.40-2209 (d)(4).

10. In a letter dated August 4, 2000 EPIC, agreed that they are exiting the small group health market in Kansas as provided in K.S.A. 1999 Supp. 40-2209 (d)(4).

Applicable Law

11. K.S.A40-103 provides in part: "The Commissioner of Insurance shall have general supervision, control, and regulation of corporations, companies authorized to transact the business of insurance, indemnity or surety ship in this state and shall have the power to make all reasonable rules and regulations necessary to enforce the laws of this state relating thereto."

12. K.S.A. 1999 Supp. 40-2209(d)(4) states:

"If the accident and sickness insurer elects to discontinue offering group policies providing hospital, medical or surgical expense benefits or group coverage to a small employer pursuant to K.S.A. 40-2209f and amendments thereto, such coverage may be discontinued only if:

(A) The accident and sickness insurer provides notice to the insurance commissioner, to all policyholders or certificate holder and to all eligible employees and members covered by such group policy providing hospital, medical, or surgical expense benefits at least 180 days prior to the date of the discontinuation of such coverage;

(B) all group policies providing hospital, medical or surgical expense benefits offered by such accident and sickness insurer are discontinued and coverage under such policies are not renewed; and

(C) the accident and sickness insurer may not provide for the issuance of any group policies providing hospital, medical or surgical expense benefits in the discontinued market during a five-year period beginning on the date of the discontinuation of the last such group policy which is nonrenewed.”

13. K.S.A. 1999 Supp. 40-2209(i) provides in part:

A group policy of insurance delivered or issued for delivery or renewed which provides hospital, surgical or major medical expense insurance, or any combination of these coverages, on an expense incurred basis, shall provide that an employee or member of such employee’s or member’s covered dependents whose insurance under the group policy has been terminated for any reason, in its entirety or with respect to an insured class, and who has been continuously insured under the group policy or under any group policy providing similar benefits which it replaces for at least three months immediately prior to termination, shall be entitled to have such coverage, nonetheless continued under the group policy for a period of six months and have issued to the employer or member, or such employee’s or member’s covered dependents by the insurer, at the end of such six month period of continuation , a policy of health insurance which conforms to the applicable requirements specified in this subsection....”

Conclusions of Law

14. EPIC is subject to the jurisdiction of Commissioner of Insurance and the Kansas Insurance Department as provided in K.S.A. 40-103.

15. EPIC is exiting the small group accident and sickness market in Kansas.

16. Under the provisions of K.S.A. 1999 Supp.40-2209 (d)(4), EPIC must give at least 180 days notice to all policyholders and certificate holders and the insurance commissioner they are discontinuing offering small group policies providing hospital, medical, or surgical

expense benefits in Kansas. The 180 days notice must given within 60 days of the date of this Order.

17. Under the provisions of K.S.A. 1999 Supp. 40-2209(i), EPIC must offer policyholders of the policies that are the subject of this Order six months of continuation of coverage under these policies.

18. EPIC may not provide for the issuance of any group policies providing hospital, medical or surgical expense benefits in the discontinued market for five years. The five-year period begins on the date of the discontinuation of the last such group policy, which is nonrenewed.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

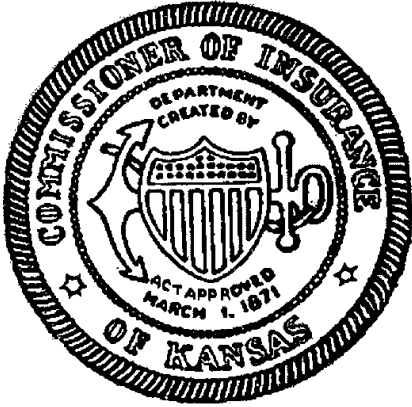
1. EPIC Life Insurance Company give 180 notice to all policyholders that the small group coverage is being discontinued in Kansas

2. Further, EPIC Life Insurance Company offer policyholders that are the subject of this Order a six-month continuation of coverage under the existing policies.

3. Further that EPIC Life Insurance Company not offer or market small group products in Kansas for period of five years, beginning on the date of the discontinuance of the last nonrenewed policy.

4. That the 180-day notice be given 60 days from the date of this Order.

IT IS ORDERED THIS 21st DAY OF SEPTEMBER, 2000, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Kathleen Sebelius

Kathleen Sebelius

Commissioner of Insurance

BY:

/s/ Kathy Greenlee

Kathy Greenlee

General Counsel

Certificate of Service

The undersigned hereby certifies that the above and foregoing Summary Order was served by placing the same in the United States Mail, first class postage prepaid, on the 21st day of September, 2000, addressed as follows:

Mr. Eric Graf
Attorney/Legal Services
EPIC Life Insurance Company
1717 West Broadway
Post Office Box 8190
Madison, Wisconsin 53708

/s/ Kathy Greenlee

Kathy Greenlee