BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS

In the Matter of HEARTLAND	)	
HEALTH INSURANCE, INC.	)	Docket No. 2348-CO

AGREED ORDER OF SUPERVISION AND SUSPENSION

Pursuant to the authority granted the Commissioner of Insurance by Kansas Statutes Annotated (K.S.A.) 40-222, K.S.A. 40-222b, K.S.A. 40-222d, K.S.A. 40-222e, and the Kansas Administrative Procedure Act, K.S.A. 77-501, *et seq.*; and in cooperation with the board of Directors and management of Heartland Health, Inc. (hereinafter "Heartland Health" or the "Company"), and their consent and approval as hereinafter evidenced by the joint execution hereof;

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. Heartland Health is an insurance company incorporated under the laws of the State of Kansas, with their registered corporate office being located at 623 SW 10th Avenue, Topeka, Kansas, 66612-1627.

2. Heartland Health was incorporated under Article 11 of Chapter 40 of the Kansas Insurance Laws on October 18, 1994.

3. The Commissioner of Insurance has jurisdiction over the subject matter of this proceeding and over the Company and this proceeding is held in the public interest.

4. The Company has determined that continuation of its business may not be in the best interest of the policyholders or general public, and has so advised the Commissioner of Insurance.

5. The Commissioner of Insurance, based on review of the Company's financial condition by her staff, the financial projections of the Company and other information presented to her, concurs in the Company's determination.

6. On December 29, 1998, the Company's Board of Directors directed, by resolution, that the Company's management staff "...work in concert with the Kansas Insurance Department to develop a plan for the orderly winding down of the business of Heartland Health and submit the plan for the final approval of the Board of Directors."

7. The Company consents to supervision of the run-off of the claims and other obligations of the Company toward the end that all its administrative and claim responsibilities under the statutes, by-laws and terms and conditions of its various health benefit plans are paid, its assets and receivables be collected, conserved and distributed pursuant to K.S.A. 40-3613, and the priorities set forth in K.S.A. 40-3641. Funds remaining after all debts, administration costs and claims are paid shall be distributed according to the by-laws of the Company.

CONCLUSION OF LAW

8. Thus, it appears the financial condition of Heartland Health is such that continued operation of the Company in this condition would be hazardous to the insuring public and its

affairs might be in such an unsound condition as to endanger its policyholders, as contemplated by K.S.A. 40-222, K.S.A. 40-222b, and K.S.A. 40-222d.

9. Heartland Health waives its right to a formal hearing under the Kansas Administrative Procedure Act, K.S.A. 77-501, *et seq.*, and notice thereof, and voluntarily consents to the following order of the Commissioner of Insurance.

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

10. The Commissioner hereby appoints Don Gaskill, Supervisor of Financial Surveillance Division and Chief Examiner of the Kansas Insurance Department, as supervisor of the run-off of claims and other affairs of Heartland Health pursuant to this Order and practices consistent with prudent management of a health insurer.

11. As of the date of this Order, the Company shall not renew or write any new business without approval of the Supervisor of Financial Surveillance Division and Chief Examiner.

12. The Company shall give written notification to all policyholders and licensed agents informing them of this Order.

13. Further, in the written notification to the policyholders, Company shall give no less than sixty (60) days' notice to policyholders that, as of April 1, 1999, coverage will no longer be in force, and that coverage through another authorized source should be sought.

14. All policies that are in effect on the date of this Order shall become null and void as of April 1, 1999.

15. The notice to policyholders specified in K.S.A. 40-2209(d)(4)(A), relative to the discontinuance of coverage to small employers is not applicable in that the Commissioner of

Insurance is ordering the Company to discontinue underwriting new business, cease renewals, and to cancel all existing in force policies pursuant to paragraphs 13 and 14, above.

16. The Certificate of Authority of Heartland Health is hereby suspended pursuant to this Order.

17. Heartland Health, its officers and directors, its immediate parent, Horizon Health Plan, Inc., and its ultimate parent, Heartland Physicians Health Network, are required to cooperate with the Department as set forth in K.S.A. 40-3610, or will be subject to civil penalty not to exceed $10,000 or to imprisonment for not more than one (1) year.

18. Heartland Health shall not do any of the following during the period of supervision without prior approval of the Commissioner of Insurance:

a. transfer any of its property;

b. withdraw or transfer assets from any of its bank accounts;

c. dissipate, waste, convey or encumber any of its assets;

d. lend any of its funds;

e. invest any of its funds;

f. incur any debt, contractual obligation or liability;

g. merge or consolidate with another company;

h. commence, institute or prosecute any legal action or proceeding;

i. enter into any new reinsurance agreement;

j. enter into any new agreements or renew existing agreements with outside parties, which includes, but is not limited to, consultants, actuaries and certified public accounting firms;

k. make any material change in management;

l. pay extraordinary salaries or benefits or bonuses or other compensation to officers, directors, other employees or independent contractors; or

m. transfer any of its assets to officers, directors, employees or independent contractors.

19. Nothing contained herein shall be construed to constitute a "change of control" as that term is used under K.S.A. 40-3304.

20. Heartland Health may petition the Commissioner of Insurance to modify the provisions of this Agreed Order of Supervision and Suspension at any time by a written request demonstrating the hazardous financial condition of the company has been rectified.

21. The Commissioner of Insurance retains jurisdiction over this subject matter for the purpose of entering such further order or orders as may be deemed proper and necessary.

IT IS SO ORDERED THIS 15 DAY OF JANUARY 1999, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.

KATHLEEN SEBELIUS
COMMISSIONER OF INSURANCE

BY: _____
ROBERT L. KENNEDY, JR.
ASSISTANT COMMISSIONER

HEARTLAND HEALTH, INC.

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Loran Jeremy Slaughter, Acting President