

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

**In the Matter of** )  
**NATIONAL HEALTH INSURANCE** )  
**COMPANY** )  
**NAIC # 82538** )

**Docket No.: 4943-CO**

**CONSENT AGREEMENT AND FINAL ORDER**  
**(Pursuant to K.S.A. 40-222 and K.S.A. 77-537)**

The Kansas Insurance Department (“KID”) and National Health Insurance Company (“NHIC”) submit this Consent Agreement and Final Order. NHIC hereby waives any and all rights to further administrative adjudication or review of this matter, including any and all rights conferred upon it under K.S.A. 77-501 *et seq.* Pursuant to the authority conferred upon the Commissioner of Insurance in K.S.A. 40-222, Ken Selzer, CPA, the duly elected, qualified and serving Commissioner of Insurance, hereby adopts the KID’s agreement made with NHIC and finds and Orders as follows:

**Stipulated Findings of Fact**

The parties stipulate that if a hearing were conducted in this matter, the following evidence could be offered by the Commissioner, and although neither admitted nor denied by Respondent, would be recognized as admissible to show the following:

1. NHIC is domiciled in Texas and has been authorized in Kansas since 1980.
2. KID completed a review of the business of NHIC and its arrangements with Lifestyle Innovations for Empowerment (“LIFE”) and Affiliated Workers Association (“AWA”).
3. NHIC sold group critical illness and short term medical policies to LIFE, a Texas Corporation.

4. NHIC sold group critical illness and short term medical policies to AWA, an Arizona Corporation.
5. NHIC provided certificates of coverage under the policies to Kansas residents who were new LIFE and AWA members.
6. NHIC filed the group policy forms in Kansas under both associations. NHIC also filed individual short-term medical forms that were approved on January 9, 2015 and November 20, 2015, but did not file individual forms for its accident and critical illness products.
7. As of April 12, 2016, under the LIFE association group policies, there were 585 accident policy certificate-holders, 548 critical illness policy certificate-holders, and 324 short-term medical policy certificate-holders in Kansas.
8. As of April 12, 2016 under the AWA association group policies, there were 8 accident policy certificate-holders, and 5 critical illness certificate-holders in Kansas.
9. There was no demonstrated method of joining LIFE or AWA without the purchase of insurance products.
10. A review of the NHIC policy data for the period of January 1, 2015 through August 1, 2016, revealed that there were 4 producers who were not licensed in Kansas at the time of sale.
11. A review of the NHIC policy data for the period of January 1, 2015 through August 1, 2016, revealed there were an additional 117 producers who were not appointed at the time of sale.

12. On August 17, 2016, KID contacted NHIC about LIFE and AWA, indicating that they were not eligible groups under Kansas law as they did not appear to be organized and maintained for purposes other than the sale of insurance.
13. Prior to its discussion with KID on August 17, 2016, NHIC ceased issuing certificates to LIFE and AWA members, and had stopped issuing new short-term medical certificates to LIFE members on August 1, 2016 but that certificates with existing members would be maintained but not renewed.
14. NHIC indicated that they stopped issuing new supplemental health certificates to LIFE members on September 12, 2016 but that certificate with existing members would be maintained.
15. NHIC indicated that they had already stopped issuing all health certificates to AWA members on December 31, 2015 but that certificates with existing members would be maintained and not renewed.

#### **Applicable Law**

1. K.S.A. 40-2209(f)(5) provides:

(f) Group accident and health insurance may be offered to a group under the following basis:

(5) A policy issued to an association which has been organized and is maintained for the purposes other than that of obtaining insurance, insuring at least 25 members, employees, or employees of members of the association for the benefit of persons other than the association or its officers. The term "employees" shall include retired employees. The premiums for the policies shall be paid by the policyholder, either wholly from association funds, or funds contributed by the members of such association or by employees of such members or any combination thereof.

2. K.S.A. 40-2215(a) provides:

(a) No individual policy of accident and sickness insurance as defined in K.S.A. 40-2201, and amendments thereto, shall be issued or delivered to any person in this state nor shall any application, rider or endorsement be used in connection therewith, until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto, have been filed with the commissioner of insurance.

3. K.S.A. 40-4905(a) provides:

(a) Subject to the provisions of K.S.A. 2015 Supp. 40-4904, and amendments thereto, it shall be unlawful for any person to sell, solicit or negotiate any insurance within this state unless such person has been issued a license as an insurance agent in accordance with this act.

4. K.S.A. 40-4912(a) provides:

(a) Any company authorized to transact business in this state, may, upon determining that the insurance agent is of good business reputation and, if an individual has had experience in insurance or will immediately receive a course of instruction in insurance and on the policies and policy forms of such company, appoint such insurance agent as the insurance agent of the company under the license in effect for the insurance agent. The appointment shall be made on a form prescribed by the commissioner. Such form shall be sent to the commissioner within 30 days of the date the company appoints such insurance agent...

#### **Conclusions of Law**

Based on the Findings of Fact enumerated in Paragraphs #1 through #16 and the applicable law cited above, **THE COMMISSIONER OF INSURANCE MAKES THE FOLLOWING ORDERS:**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. LIFE was not eligible as an association group policyholder under K.S.A. 40-2209(f)(5) as there was no demonstrated method to join without the purchase of insurance.
3. AWA was not eligible as an association group policyholder under K.S.A. 40-2209(f)(5) as there is no demonstrated method to join without the purchase of insurance.
4. The certificates issued to Kansas residents amount to individual insurance sales under K.S.A. 40-2215(a) as the association groups are improper. A sale by unlicensed agents violates K.S.A. 40-4905(a), requiring licensure for a sale.
5. A sale by un-appointed agents violates K.S.A. 40-4912(a), requiring company appointment for a sale.
6. NHIC neither admits nor denies the violations noted above.

#### Orders

Based on the Findings of Fact, Applicable and conclusions cited above, **IT IS ORDERED BY THE COMMISSIONER OF INSURANCE:**

1. NHIC shall pay a monetary penalty of \$ 8,000 total for the above stated violations of K.S.A. 40-2209(f)(5), 40-2215(a), 40-4905(a), and 40-4912(a).
2. The Commissioner shall retain jurisdiction over this matter to issue any orders deemed necessary.

IT IS SO ORDERED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2017, IN THE  
CITY OF TOPEKA, STATE OF KANSAS.



Ken Selzer, CPA  
Commissioner of Insurance

BY:

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Diane Minear  
General Counsel

APPROVED BY:

\_\_\_\_\_  
Sammi-Jo Nevin  
Chief Compliance Officer, Accident & Health  
National Health Insurance Company  
4455 LBJ Freeway, Suite 375  
Dallas, TX 75244

**Certificate of Service**

The undersigned hereby certifies that he served a true and correct copy of the above and foregoing **Consent Order** on this \_\_\_\_\_ day of February, 2017, by causing the same to be placed in the United States Mail, first class postage prepaid, addressed to the following:

National Health Insurance Company  
4455 LBJ Freeway, Suite 375  
Dallas, TX 75244

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Elizabeth J. Hickert Fike  
Staff Attorney

