



State of North Carolina

ROY COOPER
ATTORNEY GENERAL

Department of Justice
P.O. BOX 629
RALEIGH, NC 27602-0629

November 9, 2004

North Carolina Senate President Pro Tempore Marc Basnight
North Carolina House of Representatives Speaker James B. Black
North Carolina House of Representatives Speaker Richard T. Morgan
Co-Chairs, Joint Legislative Commission on Government Operations

Senator Scott Thomas
Representative R. Phillip Haire
Representative Joe L. Kiser
Co-Chairs, Appropriations Subcommittees on Justice and Public Safety

North Carolina General Assembly
Raleigh, North Carolina 27603

Re: G.S. § 114-2.5 Report on Settlement Agreement involving the North
Carolina Department of Insurance and United HealthCare
Insurance Company and United HealthCare of North Carolina, Inc.

Gentlemen:

G.S. § 114-2.5 requires the Attorney General to report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Appropriations Subcommittees on Justice and Public Safety regarding all settlements and court orders which result in more than \$75,000.00 being paid to the State. Pursuant to this statute, I write to report a voluntary settlement agreement between the North Carolina Department of Insurance and United HealthCare Insurance Company and United HealthCare of North Carolina, Inc.

Pursuant to N.C. Gen. Stat. §58-63-20, the Commissioner of Insurance has the power to investigate the business of insurance in this State in order to determine whether any unfair method of competition or unfair or deceptive act or practice prohibited by Article 63 of Chapter 58 of the North Carolina General Statutes has occurred.

N.C. Gen. Stat. §58-3-225, the "prompt pay" law, requires prompt claim payments under health benefit plans. The recitals of the voluntary settlement agreement,

November 9, 2004

Page 2

executed on Nov. 3, 2004, include the following regarding the investigation of the companies:

WHEREAS, NCDOI contends that the provider and consumer complaints disclose a pattern of unduly delayed and ineffective resolution of claim disputes and repeated instances of known claims problems being left unresolved by the Companies for extended periods of time;

WHEREAS, NCDOI contends that the claims practices of the Companies constitute unfair claim settlement practices under Article 63 of Chapter 58 of the North Carolina General Statutes;

WHEREAS, NCDOI contends that the Companies have violated N.C. Gen. Stat. §58-3-225 that requires prompt claim payment under health benefit plans;

The companies do not admit the allegations made by of the Department of Insurance.

Under the Agreement, each company has paid a civil penalty of \$1.1 million to the Department of Insurance, for a total of \$2.2 million. In accordance with N.C. Gen. Stat. §58-2-70, these civil penalties will be remitted by the Department of Insurance to the Civil Penalty and Forfeiture Fund.

The agreement also requires the companies to supply the Department of Insurance with a written plan that sets forth the means and methods by which they have, or will, remedy the issues raised by the Department of Insurance.

We will be happy to answer any questions regarding this report. Please feel free to contact me at (919) 716-6400.

Sincerely,

Julia White
Chief of Staff

JW:gh

cc: Jim Johnson, NCGA Fiscal Research Division
Chloe Gossage, NCGA Fiscal Research Division
Greg McLeod, NCDOJ Legislative Liason
Grayson Kelley, NCDOJ Chief Deputy Attorney General
Nels Roseland, NCDOJ Chief Fiscal Officer