

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking)	
and Insurance, State of New Jersey, to fine)	CONSENT
First Continental Life & Accident Insurance)	ORDER
Company)	

To: First Continental Life & Accident Insurance Company
101 Parklane Blvd, Suite 301
Sugar Land, TX 77478

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that First Continental Life & Accident Insurance Company (“First Continental”), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, First Continental is a foreign insurance company not admitted to transact the business of insurance in New Jersey pursuant to N.J.S.A. 17B:23-1 to -11; and

WHEREAS, N.J.S.A. 17B:17-2 defines “insurer” as “every person engaged as indemnitor or contractor in the business of life insurance, health insurance or of annuity”; and

WHEREAS, N.J.S.A. 17B:17-12(a) defines a “certificate of authority” as a certificate issued by the Commissioner evidencing the authority of an insurer to transact business in New Jersey; and

WHEREAS, pursuant to N.J.S.A. 17B:17-13(a), no person shall act as an insurer in New Jersey unless authorized to do so under a current certificate of authority issued by the Commissioner; and

WHEREAS, N.J.S.A. 17B:27A-2 defines an “individual health benefits plan” to include: a certificate issued to an eligible person which evidences coverage under a policy or contract issued to a trust or association, regardless of the situs of delivery of the policy or contract, if the eligible person pays the premium and is not being covered under the policy or contract pursuant to continuation or benefits provisions applicable under federal or State Law; and

WHEREAS, N.J.S.A. 17B:27A-2 defines “health benefits plan” to exclude hospital confinement indemnity coverage if the benefits are provided under a separate policy, certificate or contract of insurance, there is no coordination between the provision of the benefits and any exclusion of benefits under any group health benefits plan maintained by the same plan sponsor, and those benefits are paid with respect to an event without regard to whether benefits are provided with respect to such an event under any group health plan maintained by the same plan sponsor; and

WHEREAS, N.J.A.C. 11:20-1.2 defines “hospital confinement indemnity coverage” as coverage that is provided on a stand-alone basis, contains no elimination period greater than three days, provides coverage for no less than 31 days during one period of confinement for each person covered under the policy, and provides no less than \$40.00 but not more than \$250.00 in daily benefits except that the benefit for the first day of hospital confinement may exceed \$250.00 as long as the following formula is satisfied:

$$\frac{1^{\text{st}} \text{ day benefit} - 2^{\text{nd}} \text{ day benefit}}{5} + 2^{\text{nd}} \text{ day benefit} < \$250.00;$$

and

WHEREAS, an individual health benefits plan is required to comply with various provisions of the Individual Health Coverage Act (“IHC Act”), N.J.S.A. 17B:27A-2 to -18.2, including but not limited to the requirement that the plan be one of the standard plans established

by the Board of Directors of the Individual Health Coverage Program pursuant to N.J.S.A. 17B:27-7; and

WHEREAS, First Continental issued group policies to certain out of state associations and said associations issued certificates to residents of New Jersey which provided coverages that satisfy the definition of individual health benefits plan but does not comply with provisions of the IHC Act; and

WHEREAS, the coverage provided by these policies does not satisfy the definition of hospital confinement indemnity coverage at N.J.A.C. 11:20-1.2; and

WHEREAS, First Continental issued noncompliant individual health benefits plans from 2018 to 2019 as an unauthorized insurer in New Jersey; and

WHEREAS, First Continental has ceased the sale of noncompliant individual health benefits plans to New Jersey residents, and has issued full premium refunds to persons who had no claims and pro rata premium refunds to persons who had claims; and

IT FURTHER APPEARING, that First Continental:

- 1) Has admitted responsibility for the aforementioned violations; and
- 2) Has cooperated with the investigation conducted by the New Jersey Department of Banking and Insurance ("Department"); and
- 3) Has asserted that the violations cited in this Consent Order were not willful; and

WHEREAS, First Continental has waived its right to a hearing on the aforementioned violations and consents to the payment of a fine in the amount of two hundred eleven thousand dollars (\$211,000.00); and

WHEREAS this matter should be resolved upon the consent of the parties without resort to a formal hearing; and

NOW, THEREFORE, IT IS on this 18 day of January, 2023

ORDERED AND AGREED, that First Continental will pay a penalty of two hundred eleven thousand dollars (\$211,000.00), to the Department; and

IT IS FURTHER ORDERED AND AGREED, said penalty shall be paid by a certified check, attorney trust account check, money order or electronic funds transfer made payable to the "State of New Jersey General Treasury;" and

IT IS FURTHER ORDERED AND AGREED, that the signed Consent Order together with the penalty payment of \$211,000.00 shall be remitted to:

New Jersey Department of Banking and Insurance
Attention: Virgil Downtin, Chief of Investigation
9th Floor, Consumer Protection Services, Enforcement Unit
P. O. Box 329
Trenton, New Jersey 08625-0329

and

IT IS FURTHER ORDERED AND AGREED, that the provisions of this Consent Order represent a final agency decision and constitute a final resolution of the violations contained herein.



Marlene Caride
Commissioner

Consented to as to Form, Content and Entry:



Jim Taylor, Chief Executive Officer
First Continental Life & Accident Insurance Company

11/10/2022
Date