

**IN RE HEALTHSOURCE MAINE, INC.** ]  
] ]  
**DOCKET NO. MCINS-99-08** ]

**CONSENT AGREEMENT**

Healthsource Maine, Inc., and the Maine Superintendent of Insurance hereby enter into this Consent Agreement, pursuant to 5 M.R.S.A. § 9053(2), to resolve without an adjudicatory hearing the issues raised by Healthsource Maine's "Form D" filing with the Superintendent on February 25, 1999.

*Stipulations*

1. The Superintendent is the official charged with administering and enforcing the insurance laws of the State of Maine.
2. Healthsource Maine, Inc. is a Maine corporation with a principal place of business in Freeport, authorized to do business in the State of Maine as a health maintenance organization pursuant to 24-A M.R.S.A. § 4203.
3. Pursuant to 24-A M.R.S.A. § 222(9)(E)(1)(a) and Bureau of Insurance Rule 180, § 18, incorporated by reference in 24-A M.R.S.A. § 4222-B(5), a domestic health maintenance organization must give advance written notice to the Superintendent by completing and filing Form D at least 30 days before any transaction in which it borrows from an affiliate an amount that is 3% or more of admitted assets, measured as of the end of the preceding year, or 25% or more of surplus.
4. On February 25, 1999, Healthsource Maine, Inc. executed a document captioned "Prior Notice of a Transaction (Form D)," announcing a "proposed Surplus Contribution Note" to Healthsource Maine's immediate parent corporation, Healthsource, Inc., and forwarded this document to the Superintendent by overnight courier.
5. The amount of the Note is \$8,000,000, which is, at all relevant times, significantly in excess of both 3% of Healthsource Maine's admitted assets and 25% of Healthsource Maine's surplus.
6. The stated effective date of the transaction is December 31, 1998, which is not 30 days or more after the Form D filing.
7. The Healthsource companies did in fact have a binding commitment to enter into a surplus note transaction before December 31, 1998, in such amount as would be necessary to maintain adequate capitalization for Healthsource Maine, and believed in good faith that the actual drafting and execution of the note could await the availability of Healthsource Maine's 1998 financial statement.
8. Deferring the effective date of the capital transfer would result in a capital deficiency and would not be in the interest of either the Healthsource companies or the public. It is reasonable and appropriate in the circumstances of this case to recognize the surplus note commitment as an admitted asset as of December 31, 1998 with a value of \$8,000,000.
9. Because a loan transaction subject to the Form D requirement took place no later than December 31, 1998, the applicable filing deadline was no later than December 1, 1998. Healthsource Maine is therefore in violation of 24-A M.R.S.A. § 4222-B(5).

*Covenants*

10. A formal hearing in this matter is waived and no appeal will be taken. This Consent Agreement is an enforceable final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act.
11. The Superintendent agrees to recognize the contribution to Healthsource Maine's surplus in the amount of \$8,000,000 as of December 31, 1998.
12. Healthsource Maine agrees to the imposition of a civil penalty of \$500 pursuant to 24-A M.R.S.A. § 12-A, and shall submit a check in that amount, payable to the Treasurer of the State of Maine, at the time of the execution of this Agreement.
13. In consideration of Healthsource Maine's execution of and compliance with the terms of this Consent Agreement, the Superintendent agrees to forgo pursuing any other disciplinary measures or civil sanctions for the actions described in the Stipulations.
14. It is understood by the parties to this Agreement that nothing herein shall affect any rights or interests that any person not a party to this Agreement may possess.
15. Healthsource Maine understands and acknowledges that this Agreement will constitute a public record within the meaning of 1 M.R.S.A. § 402, and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408.
16. Healthsource Maine has been advised of its right to consult with counsel, and has consulted with counsel before executing this Agreement.
17. This Consent Agreement may only be modified by the written consent of the parties.

**FOR HEALTHSOURCE MAINE, INC.**

Dated: June 10, 1999

\_\_\_\_\_  
(signature)

Richard White, President

*(printed name*

*and title)*

Personally appeared before me this day \_\_\_\_\_, and signed this Consent Agreement in my presence.

\_\_\_\_\_  
Notary Public

**FOR THE MAINE ATTORNEY GENERAL**

Dated: July 9, 1999

\_\_\_\_\_  
Judith Shaw Chamberlain, AAG

**BY THE SUPERINTENDENT OF INSURANCE**

Dated: July 9, 1999

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Alessandro A. Iuppa, Superintendent