

**NORTH CAROLINA DEPARTMENT OF INSURANCE  
RALEIGH, NORTH CAROLINA**

**STATE OF NORTH CAROLINA  
COUNTY OF WAKE**

**BEFORE THE COMMISSIONER  
OF INSURANCE**

**IN THE MATTER OF  
KANSAS CITY LIFE INSURANCE COMPANY  
AND THE ALPHA OMEGA BENEFIT PLAN**

**VOLUNTARY SETTLEMENT  
AGREEMENT**

**WHEREAS**, the North Carolina Department of Insurance (hereinafter "the Department") is charged with the authority and responsibility for the enforcement of the insurance laws of the State of North Carolina; and

**WHEREAS**, the Kansas City Life Insurance Company (hereinafter "Kansas City Life") is licensed by the Department to do business as a life insurance company in North Carolina; and

**WHEREAS**, certain organizations and/or individuals organized and administered a self-funded plan, known for purposes of this Voluntary Settlement Agreement as the Alpha Omega Benefit Plan, (hereinafter "Alpha Omega") providing medical and health benefits coverage to enrollees and certain family members of enrollees who chose to participate in Alpha Omega, including residents of North Carolina (inclusively hereinafter "North Carolina Enrollees" or "Enrollees"); and

**WHEREAS**, from December 1, 2001, through November 30, 2002, Kansas City Life contracted with Alpha Omega to provide certain third party administrative services, including claims payment services, to Alpha Omega; and

**WHEREAS**, in 2002 Alpha Omega ceased providing funds to Kansas City Life sufficient for Kansas City Life to pay covered medical claims of certain North Carolina Enrollees submitted by the health care providers to those Enrollees (hereinafter "their Providers or "Providers") or the Enrollees; and

**WHEREAS**, the Department asserts that Kansas City Life is responsible for paying the claims of certain North Carolina Enrollees or their Providers from the company's own funds, and Kansas City Life disputes this assertion; the parties nevertheless agree to compromise and settle the assertions made by the Department so that all valid claims incurred by North Carolina Enrollees or their Providers during the period of December 1, 2001, through November 30, 2002, and submitted to Kansas City Life on or before May 29, 2003, are satisfied, and to compromise, settle and discharge all disputes, claims, demands, actions, or causes of action whatsoever of

every kind and nature, both in law and equity, within the jurisdiction of the Department arising out of the actions of Kansas City Life's providing third party administrative services to Alpha Omega; Kansas City Life in providing insurance products to North Carolina Enrollees through Alpha Omega; Alpha Omega's insolvency; and/or Kansas City Life's involvement in any way with Alpha Omega; and

**WHEREAS**, pursuant to N.C.G.S. § 58-2-70(g), the Commissioner of Insurance and the Department have the authority to negotiate and enter into mutually acceptable settlement agreements with licensees such as Kansas City Life;

**NOW THEREFORE**, the Department and Kansas City Life enter into this Voluntary Settlement Agreement (hereinafter "Agreement") for purposes of resolving all matters set forth above and avoiding an administrative proceeding, and agree as follows:

1. Kansas City Life hereby agrees to pay valid claims for medical and health services rendered to North Carolina Enrollees during the period December 1, 2001, through November 30, 2002, the period Kansas City Life provided third party administrative services to Alpha Omega, which were not paid due to inadequate funding by Alpha Omega (the "Claims"); provided however, Kansas City Life's obligation to pay such Claims shall be subject to the following:

a. Kansas City Life shall only be obligated to process and pay valid Claims which were incurred during the period of December 1, 2001, through November 30, 2002, the period Kansas City Life had a relationship with Alpha Omega, and which were submitted to Kansas City Life on or before November 30, 2002.

b. In addition to the payments made pursuant to 1.a., Kansas City Life agrees to pay valid Claims incurred during the period of December 1, 2001, through November 30, 2002, but not submitted prior to November 30, 2002, provided that the Claims were submitted to Kansas City Life within 180 days of November 30, 2002. To determine if there are any such valid Claims, Kansas City Life will contact Providers for North Carolina Enrollees and inquire if any Enrollee incurred a Claim between December 1, 2001, and November 30, 2002, which was submitted to Kansas City Life between November 30, 2002, and May 29, 2003.

Kansas City Life shall only be obligated to pay Claims which otherwise would have been entitled to coverage under Alpha Omega's plan document but for the failure of Alpha Omega to properly fund such Claims and only to the extent that Alpha Omega would have been responsible to pay such Claims under its plan document.

c. Nothing in this Agreement will be construed to prevent Kansas City Life from seeking restitution from any other responsible person or entity for any amounts paid by Kansas City Life hereunder, plus any other form and amount of damages to which Kansas City Life may be entitled.

d. The Department and Kansas City Life agree that the Department may review any complaints by North Carolina Enrollees or their Providers that a Claim was improperly denied in whole or in part by Kansas City Life.

e. All claims to be paid by Kansas City Life pursuant to this Agreement shall be subject to applicable deductibles, co-pays, co-insurance and discounts as if such Claims had been properly funded by Alpha Omega.

f. In instances in which the aggregate or total of a North Carolina Enrollee's claims is above twenty-five dollars (\$25.00), but the individual claims payable in the aggregate to a specific Provider are below twenty-five dollars (\$25.00), Kansas City Life shall at its option have the right to pay the aggregate sum to the North Carolina enrollee directly, in which case the North Carolina enrollee shall be fully responsible for paying their individual Providers.

g. Kansas City Life shall be permitted to negotiate a lower payment with health care Providers for payment of Claims under this Agreement. To the extent of Alpha Omega's payment obligation, as a condition of payment, Kansas City Life shall require Providers to execute a release and hold harmless agreement in which the Providers shall agree to fully and completely release the North Carolina Enrollees and Kansas City Life from any further obligation of payment on the claims for services rendered, and in which the Providers will further agree not to balance bill any North Carolina Enrollee for any discounted amount on the claim whether pursuant to a contractual discount or pursuant to a negotiated payment. Notwithstanding the foregoing, North Carolina Enrollees shall remain responsible to the Providers for any applicable deductibles, co-pays or co-insurance amounts.

h. The parties to this Agreement stipulate and agree that the Department, by entering into this Agreement, shall not be construed as approving or validating any amounts of restitution that Kansas City Life has paid or will pay to persons or entities for unpaid claims; nor shall the Department, by entering into this Agreement, be construed as affecting the legal rights of any third party.

2. In exchange for Kansas City Life's entering into this Agreement and agreeing to pay as set forth above, the Department agrees to release, covenant not to sue and forever discharge Kansas City Life and its subsidiaries, directors, officers, employees, attorneys, and insurers of and from any and all claims, demands, rights, liability, suits, debts, liens, actions, administrative actions, administrative remedies, civil, administrative penalties or relief and causes of action of every kind and nature whatsoever, at law or in equity, known and unknown, suspected and unsuspected, disclosed and undisclosed, (including without limitation, claims arising under N.C.G.S. § 58-2-1 *et seq.*) which the Department ever had, now has or hereafter may have by reason of any act, omission, matter, cause or thing, arising out of or in any way connected with Kansas City Life's involvement or association with Alpha Omega, including but not limited to its administration of the Plan, its providing insurance coverage through the Plan, or the solicitation, sale or transaction of insurance by Alpha Omega in North Carolina which are within the jurisdiction of the Department. Notwithstanding the foregoing, the foregoing release, covenant not to sue and discharge shall not apply to the Alpha Omega Benefit Plan, the Free Methodist Church East, the Free Methodist Church of North America, Alpha Omega, or any

individual connected in any way with Alpha Omega except those individuals who are or during the relevant period were attorneys, employees, officers or directors of Kansas City Life.

3. The Department agrees that this Agreement in no way diminishes Kansas City Life's right to pursue an action against the Alpha Omega Benefit Plan, and any and all individuals or entities who or which administered or sponsored the Alpha Omega Benefit Plan. In addition, should any payments relating to the claims described in this Agreement be made by any entity other than Kansas City Life, Kansas City Life is entitled to a corresponding offset.

The Department agrees that Kansas City Life may also seek an assignment of rights, claims or causes of actions from those Enrollees, Providers and/or other persons to whom or on whose behalf claims are paid by Kansas City Life pursuant to this Agreement.

4. Enrollees and Providers have supplied personal information to Kansas City Life in the course of submitting claims, including, by way of example, the names of Enrollees and Providers in connection with health care sought, Social Security Numbers (sometimes as part of their Group Number), the names and specialties of Providers which would indicate the kind and nature of health care sought by the Enrollee, the names of patients included within the benefits of Enrollees, and explanations of health care provided to patients, all of which is confidential to the Enrollees and submitted for the purpose of making proper claims, and was not intended for further publication of any kind (hereinafter "personal information"). The Department and Kansas City Life, including the officers, agents, employees, and attorneys of each, agree that personal information is confidential, that if shared or called upon to be shared between the parties hereto for any purpose in connection with this Agreement, including fulfillment of the regulatory functions of the Department, the same will be clearly marked "CONFIDENTIAL", and will not, to the extent permitted by State and federal law, be made public in any fashion whatsoever.

5. This Agreement is a compromise of disputed claims. This Agreement constitutes the entire agreement among the parties; there are no other agreements or representations express or implied. This Agreement resolves any claims the Department may have, had or has against Kansas City Life.

6. The parties to this Agreement agree that nothing in this Agreement will be construed as preventing the Department from instituting administrative action against the license of any person, corporation, association or partnership, other than Kansas City Life and its subsidiaries, directors, officers, employees, attorneys, and insurers of, for any violation of North Carolina insurance law, arising from the solicitation and placement of Alpha Omega insurance coverage in North Carolina by such person, corporation, association or partnership.

7. In making the Agreement embodied herein, Kansas City Life and the Department represent that they have relied upon the legal advice of their attorneys, who are attorneys of their own choice. Kansas City Life and the Department further represent that the terms of this Agreement have been completely read and explained to them by their attorneys and that those terms are fully understood and voluntarily accepted by them, and that the persons who have

signed this Agreement are fully authorized and empowered to bind their respective parties hereto as represented below.

8. Should any provision of this Agreement be found to be invalid, in whole or in part, it shall not affect the validity or enforceability of any other provision hereof or of that provision insofar as it is not invalid and is enforceable.

9. Neither Kansas City Life nor the Department nor their respective attorneys shall be deemed the draftsman of this Agreement for purposes of construing or interpreting any of its terms or provisions in any action or proceeding which may hereafter arise between and amongst them.

10. The parties to this Agreement agree that it shall have the full force and effect of an order of the Commissioner.

11. This Agreement shall become effective when signed and attested to by the Department and Kansas City Life.

**IN WITNESS WHEREOF**, Kansas City Life and the Department have duly executed this Agreement as of the dates indicated below.

NORTH CAROLINA DEPARTMENT OF INSURANCE

DATE: May 16, 2005

By: Angela C. Ford

DATE: 5-13-05

Kansas City Life Insurance Company

By: Mr. A. Scholberg

Its: SUP, GC'S