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PRESS RELEASE

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Arizona Department of Insurance Joins Multi-State Settlement; Orders Three Health Insurers to Pay \$397,527 in Fines

Phoenix – State insurance regulators announced the details of a \$20 million regulatory settlement agreement between MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company and Chesapeake Life Insurance Company (the Companies) and 29 state jurisdictions. The settlement requires division of the \$20 million penalty among the participating jurisdictions based on the Companies' premium volume in each jurisdiction. Based upon the amount of business in Arizona, the Companies will collectively pay \$397,527 in fines and civil penalties to Arizona.¹

The regulatory settlement follows a three-year multi-state examination that identified problems the Companies had with consumer disclosures, agent oversight and training, and claims and complaint-handling practices. The examination covers a five-year period (ending Dec. 31, 2005) and stemmed from the volume, scope and nature of consumer complaints in many states.

According to examination findings, the agent or the Companies, did not adequately explain the health plan coverage and benefits to policyholders and potential purchasers. The Companies targeted sales to self-employed individuals and sold the health plans through associations, such as the National Association for the Self-Employed (NASE), Americans for Financial Security (AFS) and the Alliance for Affordable Services (AAS).

**Customers of Mega
Life & Health, Mid-
West National Life, or
Chesapeake Life:**

If you bought a policy from any of these health insurers prior to 8/1/05, watch your mailbox for a notice providing clarification about your insurance coverage.

The terms of the settlement require the Companies to implement a consumer outreach program to address potential misconceptions their customers may have stemming from their marketing practices. The Companies' outreach will include a notice to all policyholders with policies issued *prior to Aug. 1, 2005*, that includes a toll-free number, mailing address and e-mail address where policyholders can ask coverage and benefits questions. The notice also must include a website address for each company and information specific to the issues and coverages in question for that company.

¹ Civil penalties are paid into the State General Fund.

The states will closely monitor compliance with the terms of the settlement and the Companies must regularly report progress on areas identified as “needing improvement,” including:

- Agent training and oversight
- Claims handling
- Identification of company
- Transparency of the companies’ relationship with associations
- Complaints and grievances
- Cancellation, nonrenewal and discontinuance notices
- Establishing and maintaining a compliance program

In addition to Arizona, the other jurisdictions adopting the settlement agreement thus far include: Alabama, Alaska, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Hawaii, Idaho, Indiana, Kansas, Louisiana, Minnesota, Montana, North Carolina, Nebraska, New Jersey, Oklahoma, South Carolina, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. Additional states may join the settlement before an August 18, 2008, deadline.

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