



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Office of the President
Reserve National Insurance Co.
6100 Northwest Grand Blvd.
Oklahoma City, OK 73118-1082

RE: Missouri Market Conduct Examination 0507-16-LAH
Reserve National Insurance Co. (NAIC #68462)

STIPULATION OF SETTLEMENT
VOLUNTARY FORFEITURE AND ORDER OF DIRECTOR

It is hereby stipulated and agreed by W. Dale Finke, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Reserve National Insurance Company, (hereafter referred to as "Reserve National"), as follows:

WHEREAS, W. Dale Finke is the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Reserve National has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Reserve National and prepared report number 0507-16-LAH; and

WHEREAS, the report of the Market Conduct Examination has revealed that:

1. In some instances, Reserve National used outdated statistics and ambiguous language in its advertisements, thereby violating Missouri Regulations 20 CSR 400-5.700(5)(A)1. and (8)(A).
2. In some instances, Reserve National failed to send the notice of rejection, properly document its files, and failed to notify certain applicants of their acceptance within 60 days of their applications, thereby violating Missouri Regulations 20 CSR 300-2.200(2) and (3)(E) and 20 CSR 400-2.060(4)(E).
3. In some instances, in which documentation was not received by the Company from the insured or provider, Reserve National closed some of its Denied Medicare Supplement claim files without a thorough investigation and before a final determination of benefits was made, thereby violating §376.1007(3), (4), and (6), RSMo, and Missouri Regulations 20 CSR 100-1.040 and 20 CSR 100-1.050(1)(C).
4. In one instance, Reserve National failed to respond to a consumer's complaint within 10 working days after receipt of the communication, as required by Missouri Regulation 20 CSR 100-1.030(2).
5. In some instances, Reserve National failed to cancel and refund the premium on some of its policies where the consumer had requested cancellation within the statutory time period, and failed to process another claim / complaint within a reasonable time period, thereby violating §§375.1007(1) and (3), 376.383(5), RSMo, and Missouri Regulations 20 CSR 100-1.010 and 20 CSR 100-1.040.

WHEREAS, Reserve National hereby agrees to take remedial action bringing Reserve National into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, the following:

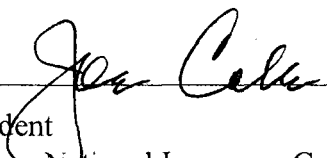
1. Taking corrective action to assure that the errors noted in the above-referenced market conduct examination report do not recur; and
2. Providing the Department a report detailing the company's review process for its Medicare Supplement Claims and implementation of the measures taken to correct the errors noted in the examination relative to these claims within 90 days from the date of the signing of this agreement.

WHEREAS, Reserve National, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Reserve National hereby agrees to the imposition of the ORDER of the Director set forth below and as a result of Market Conduct Examination #0507-16-LAH further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$5,650.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Reserve National to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Reserve National does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$5,650, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: October 13, 2006



President
Reserve National Insurance Company