IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

DIVISION OF INSURANCE MARKET REGULATION	)	
Petitioner,	)	
v.	)	**Case No. 150105001C**
THE CHESAPEAKE LIFE INSURANCE COMPANY (NAIC #61832)	)	
THE MEGA LIFE AND HEALTH INSURANCE COMPANY (NAIC #97055)	)	
MID-WEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE (NAIC #66087)	)	
Respondents.	)	

ORDER OF THE DIRECTOR

NOW, on this 6TH day of OCTOBER 2015, Director John M. Huff, after consideration and review of the Verified Statement of Charges filed by the Division of Insurance Market Regulation (hereinafter "Division"), the Answer and Counterclaim filed by The Chesapeake Life Insurance Company (NAIC #61832) (hereinafter "Chesapeake"), The Mega Life and Health Insurance Company (NAIC #97055) (hereinafter "MEGA"), and Mid-West National Life Insurance Company of Tennessee (NAIC #66087) (hereinafter "Mid-West National"), Case File Number 150105001C, and the Stipulation of Settlement (hereinafter "Stipulation") entered into between the Division, Chesapeake, MEGA and Mid-West, does hereby issue the following orders:

This order, issued pursuant to §374.046.15 RSMo (Cum. Supp. 2013) is in the public interest.

IT IS THEREFORE ORDERED that Chesapeake, MEGA, Mid-West National and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Chesapeake, MEGA and Mid-West National shall implement procedures to place Chesapeake, MEGA and Mid-West National in full compliance with the

requirements of the Stipulation and the statutes and regulations of the State of Missouri and to maintain those remedial actions at all times.

IT IS FURTHER ORDERED that Chesapeake, MEGA and Mid-West National shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept the payment to the Insurance Dedicated Fund in the amount of $50,000, as the reasonable costs of investigation, in accordance with §374.046.1 (4).

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 6TH day of OCTOBER, 2015.

John M. Huff
Director

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

DIVISION OF INSURANCE MARKET REGULATION	)	
Petitioner,	)	**Case No. 150105001C**
v.	)	
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MID-WEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE (NAIC #66087)	)	
Respondents.	)	

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), The Chesapeake Life Insurance Company (NAIC #61832) (hereinafter "Chesapeake"), The MEGA Life and Health Insurance Company (NAIC #97055) (hereinafter "MEGA") and Mid-West National Life Insurance Company of Tennessee (NAIC #66087) (hereinafter "Mid-West National") as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "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, Chesapeake, MEGA and Mid-West National have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, MEGA was merged with and into Mid-West National, a Texas domiciled life and health insurance company, effective December 30, 2014, with Mid-West National being the surviving corporation;

WHEREAS, effective March 31, 2015 Chesapeake and Mid-West National (including

MEGA) have withdrawn from the individual market and non-renewed all individual health benefit plans (including association group health benefit plans) issued in Missouri, pursuant to §376.454.4[1]; and

WHEREAS, the Division filed a Verified Statement of Charges pursuant to §374.046 naming Chesapeake, MEGA and Mid-West National as respondents;

WHEREAS, the parties have agreed to settle the issues contained in the Verified Statement of Charges as follows:

A. **Scope of Agreement.** This Stipulation of Settlement embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Chesapeake and Mid-West National agree to take remedial action bringing them into compliance with the statutes and regulations of Missouri and agree to maintain those remedial actions at all times. Chesapeake and Mid-West National agree to take the following actions:

1. Chesapeake and Mid-West National agree to submit payments to the First Steps Program for calendar years 2011 through 2015 for Chesapeake, MEGA, and Mid-West National as required by §376.1218. The payments shall be for an amount equal to one-half of one percent of each carrier's direct written premium for health benefit plans as reported to the Department on each carrier's filed annual financial statements for the years 2010 to 2014. The payments shall be as follows:

Chesapeake:

2011: $1,195.76 (based on 2010 direct written premium)
2012: $632.32 (based on 2011 direct written premium)
2013: $467.10 (based on 2012 direct written premium)
2014: $381.19 (based on 2013 direct written premium)
2015: $287.36 (based on 2014 direct written premium)

1 All references, unless otherwise noted, are to Revised Statutes of Missouri 2000, as amended.

MEGA:

2011: $23,297.92 (based on 2010 direct written premium)

2012: $17,070.64 (based on 2011 direct written premium)

2013: $11,842.14 (based on 2012 direct written premium)

2014: $10,955.95 (based on 2013 direct written premium)

Mid-West National (including MEGA for 2015):

2011: $10,794.47 (based on 2010 direct written premium)

2012: $7,890.51 (based on 2011 direct written premium)

2013: $5,770.31 (based on 2012 direct written premium)

2014: $4,570.12 (based on 2013 direct written premium)

2015: $11,550.50 (based on 2014 direct written premium)

The above amounts reflect the total and complete amount owed to the First Steps Program for calendar years 2011 through 2014, and no additional amount shall be assessed. The premiums for 2015 and the First Steps Program assessment will be calculated, reported and paid on a timely basis in 2016.

2. Chesapeake and Mid-West National agree to ensure that if they begin issuing health benefit plan coverage in Missouri in the future, they will comply with mandated benefits or offers that are in effect at that time, and will specifically provide the mandated offer of coverage for the diagnosis and treatment of autism spectrum disorders to all individual certificate holders of individually underwritten health benefit plans as required by §376.1224.13.
3. Chesapeake and Mid-West National have reviewed all claim files, including MEGA's claim files, since January 1, 2011 to determine if any claims were made for coverage for autism spectrum disorders. Mid-West National identified two claims for one certificate holder that were denied inappropriately, and Mid-West National has reprocessed and paid these claims pursuant to the requirements of the Missouri Autism Mandate, §376.1224.
4. Chesapeake and Mid-West National agree to notify in writing all certificate holders insured under their association group health benefit plans (including MEGA) that were delivered, issued for delivery, continued or renewed on or after January 1, 2011, written inside the State of Missouri or written outside the State

of Missouri but insuring Missouri residents, including individual certificate holders of individually underwritten health benefit plans, that they were legally entitled to have been offered the opportunity for coverage for the diagnosis and treatment of autism spectrum disorders. The written communication shall invite any certificate holder who underwent or whose covered dependent underwent diagnosis and/or treatment for autism spectrum disorders since January 1, 2011 to file a claim, if they have not already done so, with Chesapeake or Mid-West National for such diagnosis and/or treatment. Chesapeake and Mid-West National shall continue processing returned mail and claims received pursuant to this written communication until one year after entry of a final order approving this Stipulation. Chesapeake and Mid-West National shall continue to monitor claim and call volume pursuant to this written communication until one year after entry of a final order approving this Stipulation. Chesapeake and Mid-West National shall review any such claims received and pay those claims as required by §376.1224. Interest at the rate of 9% per annum shall be included, if required, on the payment of claims pursuant to §408.020.

5. Chesapeake and Mid-West National agree to conduct a full and complete audit of their compliance with Missouri's mandated benefit laws and regulations that apply to the association group health benefit plans that were issued in the individual market in Missouri by Chesapeake and Mid-West National (including MEGA). This audit will cover claims incurred on and after January 1, 2011 through the date that the respective health benefit plans terminated. The following mandated benefits will be included in this audit:

§375.995	Complications of Pregnancy
§376.386	Prescription Drug Co-Payments
§376.391	Copayments for Chiropractic Services
§376.392	Prescription Drug Formularies
§376.406	Newborn Coverage/Congenital Defects & Abnormalities
§376.407	Advance Practice Nurse Claims
§376.429	Clinical Trials
§376.778	Payment to Public Hospitals and Clinics
§376.779	Alcoholism
§376.782	Mammography
§376.816	Adopted Children

§376.810	Chemical Dependency/Mental Illness
§376.1199	Obstetrical/Gynecological Benefits, Osteoporosis, and Contraceptives
§376.1215	Immunization Coverage for Children
§376.1225	Inpatient Dental Care
§376.1232	Prosthetics
§376.1250	Cancer Screenings
§376.1253	Coverage for Second Opinions
§376.1275	Bone Marrow Transplant Tests
§§376.1350 – 376.1389	Utilization Review and Grievance Review

In the course of the full and complete audit, Chesapeake and Mid-West National will review and pay any claims, including MEGA's claims, administered contrary to the mandated benefits listed herein. In the event that Chesapeake, Mid-West National and MEGA failed to properly make any mandated offer (on a contract or renewal) listed herein, or failed to verify the acceptance/rejection of any mandated offer listed herein, Chesapeake and Mid-West National will review and pay any claims, including MEGA's claims, as if the mandated offer was accepted for that coverage. Interest at the rate of 9% per annum shall be included, if required, on the payment of claims pursuant to §408.020.

C. **Compliance.** Chesapeake and Mid-West National agree to file documentation with the Division within 120 days of the entry of a final order of any remedial action taken to implement compliance with the terms of this stipulation and documenting any payment required to be made pursuant to this stipulation.

D. **Costs of Investigation.** Chesapeake and Mid-West National agree, voluntarily and knowingly, to collectively pay the sum of $50,000, in the aggregate for all the Respondents, such sum payable to the Insurance Dedicated Fund as the reasonable costs of investigation, in accordance with §374.046.1(4).

E. **Charitable Donation.** Chesapeake and Mid-West National agree, voluntarily and knowingly, to collectively contribute the sum of $15,000, in the aggregate, to the Thompson Foundation for Autism at the University of Missouri, a charitable or non-profit organization. Such contribution shall be made within 60 days of the entry of the final order approving the stipulation.

F. **Final Settlement and Release.** This Stipulation resolves all issues and claims

between Chesapeake, MEGA, Mid-West National and the Division arising from the Verified Statement of Charges, including all claims relating to the First Steps assessments of Chesapeake, MEGA and Mid-West National for the calendar years 2007 through 2015 or the procedure for determining those assessments for the calendar years 2007 through 2015. In addition, the parties hereby release and discharge each other and each of their respective subsidiaries, affiliates, officers, directors, employees, agents and representatives from any claim(s), demand(s), or cause(s) of action based on the conduct alleged or arising from the Verified Statement of Charges or in this Stipulation. Notwithstanding the foregoing, nothing herein shall be construed as a waiver, releasing or preventing any party from pursing an action to enforce this Stipulation or the Order approving this Stipulation, or from pursing conduct of any kind that occurs after the date of the Stipulation.

G. **Non-Admission.** Nothing in this Stipulation, which is a final resolution of a disputed issue(s), shall constitute or be construed as an admission of fact or of law. Further, Chesapeake and Mid-West National, and Mid-West National on behalf of MEGA, specifically deny any wrongdoing or activity that violates any Missouri laws, regulations or the common law.

H. **Waivers.** Chesapeake and Mid-West National, after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the resolution of the Verified Statement of Charges filed by the Division. Chesapeake and Mid-West National, and Mid-West National on behalf of MEGA, after being advised by legal counsel, also voluntarily and knowingly waive any and all rights or claims, procedural or substantive, which they may have to obtain a refund for payments made to the First Steps Program, pursuant to §376.1218, for calendar years 2007 through 2010.

I. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

J. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge and warrant that they

are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

L. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 9/29/2015

Angela Nelson, Director
Division of Insurance Market Regulation

DATED: 9/28/2015

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market regulation

DATED: 9/21/2015

Kenneth J. Fasola, CEO & President
The Chesapeake Life Insurance Company

DATED: 9/21/2015

Kenneth J. Fasola, CEO & President
Mid-West National Life Insurance Company of Tennessee

DATED: _____

_____
Jason L. Bush
Polsinelli P.C.
Counsel for The Chesapeake Life Insurance Company and Mid-West National Life Insurance Company of Tennessee

DATED: 9-23-2015

Steven L. Imber
Polsinelli P.C.
Counsel for The Chesapeake Life Insurance Company and Mid-West National Life Insurance Company of Tennessee

DATED: 9/23/15

Jason L. Bush
Polsinelli P.C.
Counsel for The Chesapeake Life Insurance Company and Mid-West National Life Insurance Company of Tennessee

DATED: _____

Steven L. Imber
Polsinelli P.C.
Counsel for The Chesapeake Life Insurance Company and Mid-West National Life Insurance Company of Tennessee

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI

DIVISION OF INSURANCE MARKET REGULATION	)	
	)	
PETITIONER	)	
	)	
v.	)	**Case No.** 15010500IC
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	)	
THE MEGA LIFE AND HEALTH INSURANCE COMPANY (NAIC #97055)	)	
	)	
MIDWEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE (NAIC #66087)	)	
	)	
RESPONDENTS	)	
	)	
Serve: 9151 Boulevard 26 North Richland Hills, TX 76180	)	

FILED
JAN 05 2015
DIRECTORS OFFICE
MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

VERIFIED STATEMENT OF CHARGES

The Division of Insurance Market Regulation (hereinafter the "Division") of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Department"), by and through counsel, requests that John M. Huff, the Director of the aforementioned Department (hereinafter the "Director"), find that The Chesapeake Life Insurance Company (hereinafter "Chesapeake"), The Mega Life and Health Insurance Company (hereinafter "Mega"), and Midwest National Life Insurance Company of Tennessee (hereinafter "Midwest National") have violated Missouri laws relating to insurance, and issue an Order:

1) Requiring Chesapeake, Mega, and Midwest National to cease and desist violating Missouri law;

2) Directing Chesapeake, Mega, and Midwest National to cure or take other action necessary or appropriate to comply with the insurance laws of this state, including, but not limited to, requiring Chesapeake, Mega and Midwest National to submit payments of one-half of one percent of direct written premium, plus any applicable interest, for 2011, 2012, 2013 and 2014 to the Missouri First Steps Program, and to require Chesapeake, Mega and Midwest National to comply with the requirements of §376.1224 relating to insurance coverage for autism spectrum disorders;

3) Requiring Chesapeake, Mega and Midwest National to pay a civil penalty or forfeiture;

4) Suspending or revoking the Certificates of Authority of Chesapeake, Mega and Midwest National;

5) Awarding the Division the actual costs of the prosecution of this matter; and

6) Providing such other relief, preliminary or final, as is warranted against Chesapeake, Mega and Midwest National, including but not limited to: a) Issuing an Order to Show Cause why the relief requested in this Verified Statement of Charges should not be granted, and b) Issuing an Order Appointing a Hearing Officer, all based on the violations of law contained in this Verified Statement of Charges or as the same may later be amended.

PARTIES

1. The Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration, 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 of Missouri.

2. Chesapeake is an Oklahoma domiciled life and health insurance company, authorized by the Director to engage in the business of insurance in the State of Missouri

pursuant to a certificate of authority. Chesapeake's main administrative office is located at 9151 Boulevard 26, North Richland Hills, Texas 76180.

3. Mega is an Oklahoma domiciled life and health insurance company, authorized by the Director to engage in the business of insurance in the State of Missouri pursuant to a certificate of authority. Mega's main administrative office is located at 9151 Boulevard 26, North Richland Hills, Texas 76180.

4. Midwest National is a Texas domiciled life and health insurance company, authorized by the Director to engage in the business of insurance in the State of Missouri pursuant to a certificate of authority. Midwest National's main administrative office is located at 9151 Boulevard 26, North Richland Hills, Texas 76180.

JURISDICTION

5. The Director has jurisdiction to hear and administer this proceeding pursuant to §374.046 RSMo,[1] which provides in pertinent part:

> 1. If the director determines based upon substantial and competent evidence that a person has engaged, is engaging in or has taken a substantial step toward engaging in an act, practice, omission, or course of business constituting a violation of the laws of this state relating to insurance in this chapter, chapter 354, and chapters 375 to 385, or a rule adopted or order issued pursuant thereto or that a person has materially aided or is materially aiding an act, practice, omission, or course of business constituting a violation of the laws of this state relating to insurance in this chapter, chapter 354, and chapters 375 to 385, or a rule adopted or order issued pursuant thereto, the director may order the following relief:
>
> (1) An order directing the person to cease and desist from engaging in the act, practice, omission, or course of business;
>
> (2) A curative order or order directing the person to take other action necessary or appropriate to comply with the insurance laws of this state;

[1] All references, unless otherwise noted, are to the 2013 Supplement to the Revised Statutes of Missouri 2000.

(3) Order a civil penalty or forfeiture as provided in section 374.049; and

(4) Award reasonable costs of the investigation.

* * *

8. In a final order under subsection 6 of this section, the director may charge the actual cost of an investigation or proceeding for a violation of the insurance laws of this state or a rule adopted or order issued pursuant thereto.

6. The Director also has jurisdiction to hear and administer this proceeding pursuant to §375.881, which provides in pertinent part: "The director may revoke or suspend the certificate of authority of a foreign insurance company under section 374.047 or issue such administrative orders as appropriate under section 374.046 whenever he finds that the company . . . (6) Has violated any law of this state or has in this state violated its charter or exceeded its corporate powers . . . ."

7. The Director also has jurisdiction to hear and administer this proceeding pursuant to §375.445.2, which provides in pertinent part: "If the director determines that a person has engaged, is engaging in, or has taken a substantial step toward engaging in an act, practice or course of business constituting a violation of this section or a rule adopted or order issued pursuant thereto, or that a person has materially aided or is materially aiding an act, practice, omission, or course of business constituting a violation of this section or a rule adopted or order issued pursuant thereto, the director may issue such administrative orders as authorized under section 374.046. . . . The director may also suspend or revoke the license or certificate of authority of such person for any willful violation."

RELEVANT STATUTORY AND REGULATORY PROVISIONS

8. Section 376.1218 provides in pertinent part:

1. Any health carrier or health benefit plan that offers or issues health benefit plans, other than Medicaid health benefit plans, which are delivered, issued for delivery, continued, or renewed in this state on or after January 1, 2006, shall provide coverage for early intervention services described in this section that are delivered by early intervention specialists who are health professionals licensed by the State of Missouri and acting within the scope of their professions for children from birth to age three identified by the Part C early intervention system as eligible for services under Part C of the Individuals with Disabilities Education Act, 20 U.S.C. Section 1431, et seq. Such coverage shall be limited to three thousand dollars for each covered child per policy per calendar year, with a maximum of nine thousand dollars per child.

2. As used in this section, "health carrier" and "health benefit plan" shall have the same meaning as such terms are defined in section 376.1350.

* * *

7. (1) Subject to the provisions of this section, payments made during a calendar year by a health carrier or group of carriers affiliated by or under common ownership or control to the Part C early intervention system for services provided to children covered by the Part C early intervention system shall not exceed one-half of one percent of the direct written premium for health benefit plans as reported to the department of insurance, financial institutions and professional registration on the health carrier's most recently filed annual financial statement.

(2) In lieu of reimbursing claims under this section, a carrier or group of carriers affiliated by or under common ownership or control may, on behalf of all of the carrier's or carriers' health benefit plan or plans providing coverage under this section, directly pay the Part C early intervention system by January thirty-first of the calendar year an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported to the department of insurance, financial institutions and professional registration on the health carrier's most recently filed annual statement, or five hundred thousand dollars, whichever is less, and such payment shall constitute full and complete satisfaction of the health benefit plan's obligation for the calendar year. Nothing in this subsection shall require a health carrier or health benefit plan providing coverage under this section to amend or modify any provision of an existing policy or plan relating to the

payment or reimbursement of claims by the health carrier or health benefit plan.

8. This section shall not apply to a supplemental insurance policy, including a life care contract, specified disease policy, hospital policy providing a fixed daily benefit only, Medicare supplement policy, hospitalization-surgical care policy, policy that is individually underwritten or provides such coverage for specific individuals and members of their families, long-term care policy, or short term major medical policies of six months or less duration.

9. 20 CSR 400-2.170 (1), implementing the requirements of §276.1218, defines the following terms:

(C) "Early intervention services" means medically necessary speech and language therapy, occupational therapy, physical therapy, and assistive technology devices for children from birth to age three (3) who are identified by the Part C early intervention system as eligible for services under Part C of the Individuals with Disabilities Education Act, 20 U.S.C. Section 1431, et seq.

(D) "First Steps" refers to the Missouri early intervention system under the federal Infant and Toddler Program, Part C of the Individuals with Disabilities Act, 20 U.S.C. Section 1431, et seq.

(F) "Health benefit plan," "health care professional," and "health carrier" shall each have their respective meanings as such terms are defined in 376.1350, RSMo.

10. 20 CSR 400-2.170 (2) provides that "Health benefit plans shall provide this coverage on the first date on or after January 1, 2006, on which the contract or certificate is delivered, issued for delivery, continued or renewed in this state."

11. 20 CSR 400-2.170 (4) (A) provides three methods for health carriers to pay claims for First Step services. Those methods are as follows:

1. A health carrier shall pay individual claims submitted for each service to First Steps as the rendering provider, and such coverage shall be limited to three thousand dollars ($3,000) for each covered child per policy per calendar year, with a lifetime policy maximum of nine thousand dollars ($9,000) per child. Such

payments shall not exceed one-half of one percent (0.5%) of the direct written premium for health benefit plans; or

2. A health carrier and all of its affiliates together shall submit a lump sum payment to First Steps for one-half of one percent (0.5%) of the direct written premium reported to the Department of Insurance on each health carrier's most recently filed annual financial statement, per calendar year, which shall satisfy each affiliated health carrier's payment obligation for First Steps services for such calendar year; or

3. A health carrier and all of its affiliates together shall make a lump sum payment of five hundred thousand dollars ($500,000), per calendar year, to First Steps, which shall satisfy the health carrier and its affiliates' payment obligation for First Steps services for such calendar year.

4. As between paragraphs 2. and 3. of this subsection, the health carrier shall pay whichever amount is less.

12. Section 376.1350 provides in pertinent part:

> For purposes of sections 376.1350 to 376.1390, the following terms mean:
>
> * * *
>
> (18) "Health benefit plan", a policy, contract, certificate or agreement entered into, offered or issued by a health carrier to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services; except that, health benefit plan shall not include any coverage pursuant to liability insurance policy, workers' compensation insurance policy, or medical payments insurance issued as a supplement to a liability policy;
>
> * * *

(22) "Health carrier", an entity subject to the insurance laws and regulations of this state that contracts or offers to contract to provide, deliver, arrange for, pay for or reimburse any of the costs of health care services, including a sickness and accident insurance company, a health maintenance organization, a non-profit hospital and health service corporation, or any other entity providing a plan of health insurance, health benefits or health services; except that such plan shall not include any coverage pursuant to a liability insurance policy, workers' compensation insurance policy, or medical payments insurance issued as a supplement to a liability policy.

13. Section 376.1224 provides in pertinent part:

2. All group health benefit plans that are delivered, issued for delivery, continued, or renewed on or after January 1, 2011, if written inside the state of Missouri, or written outside the state of Missouri but insuring Missouri residents, shall provide coverage for the diagnosis and treatment of autism spectrum disorders to the extent that such diagnosis and treatment is not already covered by the health benefit plan.

* * *

13. The provisions of this section shall not automatically apply to an individually underwritten health benefit plan, but shall be offered as an option to any such plan.

* * *

17. The director of the department of insurance, financial institutions and professional registration shall grant a small employer with a group health plan, as that term is defined in section 379.930, a waiver from the provisions of this section if the small employer demonstrates to the director by actual claims experience over any consecutive twelve-month period that compliance with this section has increased the cost of the health insurance policy by an amount of two and a half percent or greater over the period of a calendar year in premium costs to the small employer.

14. Section 375.445 provides in pertinent part:

1. It is unlawful for any insurance company transacting business under the laws of this state to:

(1) Conduct its business fraudulently;

(2) Fail to carry out its contracts in good faith; or

(3) Habitually and as a matter of business practice compelling claimants under policies or liability judgment creditors of the insured to either accept less than the amount due under the terms of the policy or resort to litigation against the company to secure payment of the amount due.

STATEMENT OF FACTS

15. Chesapeake is a life and health insurance company authorized to do business in the State of Missouri pursuant to §375.791 and §376.010. Chesapeake is authorized under the A2 line of authority for accident and health.

16. Mega is a life and health insurance company authorized to do business in the State of Missouri pursuant to §375.791 and §376.010. Mega is authorized under the A2 line of authority for accident and health.

17. Midwest National is a life and health insurance company authorized to do business in the State of Missouri pursuant to §375.791 and § 376.010. Midwest National is authorized under the A2 line of authority for accident and health.

18. Chesapeake, Mega, and Midwest National have issued health benefit plans to Missouri residents since at least 2008.

19. Among the health benefit plans issued by Chesapeake, Mega, and Midwest National were group policies of comprehensive medical expense insurance issued to associations in states other than Missouri (hereinafter "Comprehensive Association Group Policies") with coverage for Missouri residents provided through individually underwritten certificates issued to applicants who met the companies' underwriting requirements.

20. A Group Policy is defined as "a contract between the insurer and the group policyholder insuring members of a group of employees, union or association members, debtors or others."[2]

21. An individual health insurance policy is defined as a contract sold to an individual to provide coverage for medical expenses.[3]

22. A Certificate of Insurance is defined as "a document in life and health insurance issued to a member of a group insurance plan showing participation in the insurance coverage. [4]

23. As of December 31, 2009, Chesapeake reported 148 insureds and $48,008 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2010, Chesapeake reported 105 insureds and $239,151 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2011, Chesapeake reported 60 insureds and $126,464 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2012, Chesapeake reported 48 insureds and $93,420 in direct written premium for coverage under Comprehensive Association Group Polices. As of December 31, 2013, Chesapeake reported 41 insureds and $76,238 in direct written premium for coverage under Comprehensive Association Group Policies.

24. As of December 31, 2009, Mega reported 2575 insureds and $7,658,599 in direct written premium for coverage under Comprehensive Association Group Business. As of December 31, 2010, Mega reported 1538 insureds and $4,659,583 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2011, Mega reported 1169 insureds and $3,414,128 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2012, Mega reported 938

[2] William F. Meyer and Franklin L. Best, Jr., Life and Health Insurance Law (Second Edition) §3.2.
[3] Barron's Dictionary of Insurance terms (Sixth Edition) Pg. 244.

[4] Barron's Dictionary of Insurance terms (Sixth Edition) Pg. 78.

insureds and $2,368,427 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2013, Mega reported 764 insureds and $2,191,189 in direct written premium for coverage under Comprehensive Association Group Policies.

25. As of December 31, 2009, Midwest National reported 1,317 insureds and $2,361,967 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2010, Midwest National reported 743 insureds and $2,158,894 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2011, Midwest National reported 493 insureds and $1,578,101 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2012, Midwest National reported 344 insureds and $1,154,062 in direct written premium for coverage under Comprehensive Association Group Policies. As of December 31, 2013, Midwest National reported 264 insureds and $914,023 in direct written premium for coverage under Comprehensive Association Group Policies.

26. Prior to August 2010, Chesapeake, Mega, and Midwest National offered and issued certificates providing coverage to Missouri residents under Comprehensive Association Group Policies and also marketed and issued coverage under separate supplemental insurance policies that was intended to supplement the comprehensive medical expense insurance provided by the certificates issued to association group members.

27. In August 2010, Chesapeake, Mega, and Midwest National ceased offering and issuing certificates under the Comprehensive Association Group Policies in Missouri, but renewed the certificates already issued and in effect prior to that date.

28. As of December 20, 2012, Chesapeake, Mega, and Midwest National had approximately 800 certificates in force in Missouri for the closed block of Comprehensive Association Group business.

29. As of June 9, 2014, Chesapeake had 15 certificates still in force in Missouri for Comprehensive Association Group business, Mega had 358 certificates still in force in Missouri for Comprehensive Association Group business, and Midwest National had 148 certificates still in force in Missouri for Comprehensive Association Group business.

First Steps

30. The First Steps Program was created in 2005 in Senate Bill 500.

31. First Steps refers to the Missouri early intervention system under the federal Infant and Toddler Program, Part C of the Individuals with Disabilities Act, 20 U.S.C. Section 1431, et. Seq.

32. Pursuant to §376.1218 and 20 CSR 400-2.170, a health carrier or health benefit plan may pay for claims for First Steps services in one of three ways. The health carrier or health benefit plan may pay individual claims submitted for each service to First Steps, may submit a lump sum payment to of one-half of one percent of direct written premium reported to the Department on the health carrier's most recently filed annual financial statement for each calendar year, or may make a lump sum payment of $500,000 per calendar year.

33. Upon information and belief, Chesapeake, Mega, and Midwest National made payments under the First Steps program for calendar year 2008.

34. On September 28, 2009, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for First Steps Payment for calendar year 2009. The Companies

selected payment option #2, a lump sum payment of one-half of one percent of each carrier's direct written premium.

35. On October 22, 2009, Chesapeake, Mega, and Midwest National made a lump sum payment of one-half of one percent of each carrier's direct written premium to the First Steps Program for calendar year 2009.

36. On December 16, 2009, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for First Steps Payment for calendar year 2010. The Companies selected payment option #2, a lump sum payment of one-half of one percent of each carrier's direct written premium.

37. Beginning in calendar year 2011, Chesapeake, Mega, and Midwest National ceased making payments under the Missouri First Steps program.

38. On December 3, 2010, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for the First Steps Payment for calendar year 2011by checking the box: "SB 500 is not applicable to the carrier. Reason: Our plans are individually underwritten; therefore, Senate Bill 500 is not applicable to us."

39. On November 16, 2011, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for the First Steps Payment for calendar year 2012 by checking the box: "SB 500 is not applicable to the carrier. Reason: Our plans are individually underwritten therefore SB 500 does not apply to our Company."

40. On September 26, 2012, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for the First Steps Payment for calendar year 2013 by checking the box: "SB 500 is not applicable to the carrier. Reason: As previously reported, our plans are individually underwritten; therefore, SB 500 does not apply to our Company."

41. On August 21, 2013, Chesapeake, Mega, and Midwest National completed the Annual Declaration Form for the First Steps Payment for calendar year 2014 by checking the box: "Sections 160.900-160.925, and Section 376.1218, RSMo, is not applicable to the carrier. Reason: Our plans are individually underwritten."

42. Chesapeake, Mega, and Midwest National failed to fully disclose the plans they were issuing were individually underwritten certificates and not individually underwritten policies.

43. In the disposition of SERFF filings for various health insurance products made by Chesapeake, Mega, and Midwest National in 2009 and 2010, the Department noted:

> Please be aware, however, that coverage provided to Missouri citizens must still comply with certain provisions of Missouri law regardless of the state in which the policy is issued. (sometimes referred to as "extraterritorial applicability") Because this filing has not been reviewed by the DIFP for conformance with Missouri law, the burden falls upon the issuing company to assure compliance. To assist in that effort, we have listed below many of the Missouri insurance laws that indicate extraterritorial applicability by their wording.

44. The list referenced in paragraph 38 included Section 376.1218, the Missouri First Steps Program.

45. A substantially similar notation was made in other SERFF filing dispositions for health insurance product filed by Chesapeake, Mega and Midwest National in 2009 and 2010. The notation referred the Companies to the Department's website which listed extraterritorial mandates including Section 376.1218, the Missouri First Steps Program.

Autism

46. In 2010 in HB 1311 and 1341, the Missouri legislature enacted legislation providing coverage for the treatment of autism spectrum disorders.

47. Chesapeake, Mega, and Midwest Life provided a "Missouri Offer of Coverage Election Form" to Comprehensive Association Group policyholders allowing the policyholder to accept or reject coverage for certain Missouri mandates.

48. Such form has been in use since at least 2011.

49. Offers of coverage for autism and behavioral analysis therapy were made to Comprehensive Association Group policyholders by Chesapeake, Mega, and Midwest, and the group policyholders, in this instance, the associations, rejected the coverage.

50. Offers of coverage for autism and behavioral analysis therapy were not made to individual certificate holders even though the Comprehensive Association Group coverage was individually underwritten.

51. On January 3, 2011, the Department issued Insurance Bulletin 11-01 to health insurance companies, health service corporations, health maintenance organizations, third party administrators, medical providers, and the public.

52. The bulletin notified these entities that: "In the 2010 legislative session, the Missouri legislature enacted House Bills 1311 and 1341, which mandate insurance coverage for various treatments for autism and autism spectrum disorders, in addition to establishing a licensure process for certain providers of autism services."

53. The bulletin also noted that the insurance coverage provisions of the legislation were effective for policies written, issued, or renewed on or after January 1, 2011.

54. In an e-mail to a Department employee dated March 31, 2011, Nanette Nadeau, on behalf of Mega and Midwest National, indicated that the Companies were aware of the Missouri autism mandate, but believed that "the requirements of 376.1224 do not automatically apply to MEGA's/Mid-West's business in Missouri."

55. A follow-up e-mail from Nanette Nadeau to a Department employee dated April 26, 2011 also indicated that the Companies were aware of the Missouri autism mandate because the letter stated that an offer of coverage for autism was presented to group policyholders.

COUNT I
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Chesapeake 2011

56. Chesapeake's failure, for calendar year 2011, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

57. Chesapeake is a "health carrier" as that term is defined in §376.1350.

58. Chesapeake offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

59. Chesapeake failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2011.

60. Chesapeake also failed to directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Chesapeake's annual financial statement or $500,000, whichever amount was less.

61. The violation by Chesapeake of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

62. A knowing violation of §376.1218 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

63. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT II
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Chesapeake 2012

64. Chesapeake's failure, for calendar year 2012, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

65. Chesapeake is a "health carrier" as that term is defined in §376.1350.

66. Chesapeake offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

67. Chesapeake failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2012.

68. Chesapeake also failed to directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Chesapeake's annual financial statement or $500,000, whichever amount was less.

69. The violation by Chesapeake of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

70. A knowing violation of §376.1218 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

71. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT III
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Chesapeake 2013

72. Chesapeake's failure, for calendar year 2013, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

73. Chesapeake is a "health carrier" as that term is defined in §376.1350.

74. Chesapeake offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

75. Chesapeake failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2013.

76. Chesapeake also failed to directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Chesapeake's annual financial statement or $500,000, whichever amount was less.

77. The violation by Chesapeake of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

78. A knowing violation of §376.1218 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

79. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT IV
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Chesapeake 2014

80. Chesapeake's failure, for calendar year 2014, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2014 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

81. Chesapeake is a "health carrier" as that term is defined in §376.1350.

82. Chesapeake offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

83. Chesapeake failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2014.

84. Chesapeake also failed to directly pay the First Steps Program by January 31, 2014 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Chesapeake's annual financial statement or $500,000, whichever amount was less.

85. The violation by Chesapeake of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

86. A knowing violation of §376.1218 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

87. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT V
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Mega 2011

88. Mega's failure, for calendar year 2011, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

89. Mega is a "health carrier" as that term is defined in §376.1350.

90. Mega offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

91. Mega failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2011.

92. Mega also failed to directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported

to the Department on Mega's annual financial statement or $500,000, whichever amount was less.

93. The violation by Mega of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

94. A knowing violation of §376.1218 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

95. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT VI
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Mega 2012

96. Mega's failure, for calendar year 2012, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

97. Mega is a "health carrier" as that term is defined in §376.1350.

98. Mega offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

99. Mega failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2012.

100. Mega also failed to directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported

to the Department on Mega's annual financial statement or $500,000, whichever amount was less.

101. The violation by Mega of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

102. A knowing violation of §376.1218 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

103. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT VII
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Mega 2013

104. Mega's failure, for calendar year 2013, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

105. Mega is a "health carrier" as that term is defined in §376.1350.

106. Mega offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

107. Mega failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2013.

108. Mega also failed to directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Mega's annual financial statement or $500,000, whichever amount was less.

109. The violation by Mega of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

110. A knowing violation of §376.1218 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

111. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT VIII
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Mega 2014

112. Mega's failure, for calendar year 2014, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2014 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

113. Mega is a "health carrier" as that term is defined in §376.1350.

114. Mega offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

115. Mega failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170for the calendar year 2014.

116. Mega also failed to directly pay the First Steps Program by January 31, 2014 an amount equal to one-half of one percent of the direct written premium for health benefit plans as

reported to the Department on Mega's annual financial statement or $500,000, whichever amount was less.

117. The violation by Mega of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

118. A knowing violation of §376.1218 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

119. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT IX
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Midwest National 2011

120. Midwest National's failure, for calendar year 2011, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

121. Midwest National is a "health carrier" as that term is defined in §376.1350.

122. Midwest National offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

123. Midwest National failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170for the calendar year 2011.

124. Midwest National also failed to directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of the direct written premium for health benefit

plans as reported to the Department on Midwest National's annual financial statement or $500,000, whichever amount was less.

125. The violation by Midwest National of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

126. A knowing violation of §376.1218 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

127. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT X
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Midwest National 2012

128. Midwest National's failure, for calendar year 2012, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

129. Midwest National is a "health carrier" as that term is defined in §376.1350.

130. Midwest National offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

131. Midwest National failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170for the calendar year 2012.

132. Midwest National also failed to directly pay the First Steps Program by January 31, 2012 an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported to the Department on Midwest National's annual financial statement or $500,000, whichever amount was less.

133. The violation by Midwest National of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

134. A knowing violation of §376.1218 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

135. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT XI
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Midwest National 2013

136. Midwest National's failure, for calendar year 2013, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

137. Midwest National is a "health carrier" as that term is defined in §376.1350.

138. Midwest National offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

139. Midwest National failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2013.

140. Midwest National also failed to directly pay the First Steps Program by January 31, 2013 an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported to the Department on Midwest National's annual financial statement or $500,000, whichever amount was less.

141. The violation by Midwest National of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

142. A knowing violation of §376.1218 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

143. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT XII
Violations of §376.1218 and 20 CSR 400-2.170 (2) – Insurance Coverage for Children enrolled in First Steps
Midwest National 2014

144. Midwest National's failure, for calendar year 2014, to provide coverage for early intervention services or in lieu thereof directly pay the First Steps Program by January 31, 2011 an amount equal to one-half of one percent of direct written premium for health benefit plans or $500,000, whichever is less, violates §376.1218 and 20 CSR 400-2.170 (2).

145. Midwest National is a "health carrier" as that term is defined in §376.1350.

146. Midwest National offered or issued health benefit plans, as defined in §376.1350, in the form of certificates of group comprehensive medical expense insurance issued to Missouri

residents which were delivered, issued for delivery, continued or renewed in Missouri after January 1, 2006.

147. Midwest National failed to provide coverage for early intervention services described in §376.1218 and 20 CSR 400-2.170 for the calendar year 2014.

148. Midwest National also failed to directly pay the First Steps Program by January 31, 2014 an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported to the Department on Midwest National's annual financial statement or $500,000, whichever amount was less.

149. The violation by Midwest National of §376.1218 and 20 CSR 400-2.170 (2) is a level one violation pursuant to §374.049.

150. A knowing violation of §376.1218 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

151. A violation of §376.1218 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT XIII
Violations of §376.1224.2
Insurance Coverage for Autism Spectrum Disorders
Chesapeake

152. Chesapeake's offer of coverage for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders violates §376.1224.2.

153. Chesapeake delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

154. Chesapeake offered Comprehensive Association Group Policyholders, rather than individual certificate holders, the option of electing coverage or not electing coverage for the diagnosis and treatment of autism spectrum disorders.

155. Section 376.1224.2 requires all group health benefit plans to provide coverage for the diagnosis and treatment of autism spectrum disorders. There is no statutory provision which permits group policyholders to elect or not elect coverage for the diagnosis and treatment of autism spectrum disorders.

156. The violation by Chesapeake of §376.1224.2 is a level one violation pursuant to §374.049.

157. A knowing violation of §376.1224.2 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

158. A violation of §376.1224.2 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT XIV
Violations of §376.1224.13 – Insurance Coverage for Autism Spectrum Disorders
Chesapeake

159. Chesapeake's failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders of Comprehensive Association Group Policies violates §376.1224.13.

160. Chesapeake delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

161. Chesapeake did not offer coverage for the diagnosis and treatment of autism disorders to individual certificate holders as required by §376.1224.13.

162. Such offer of coverage would not be required if coverage for the diagnosis and treatment of autism spectrum disorders had been included in the group policy, as required under §376.1224.2.

163. The violation by Chesapeake of §376.1224.13 is a level one violation pursuant to §374.049.

164. A knowing violation of §376.1224.13 is a level two violation which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

165. A violation of §376.1224.13 knowingly committed in conscious disregard of the law is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

COUNT XV
375.445 – Failing to Carry Out Contracts in Good Faith
Chesapeake

166. Chesapeake's offer of coverage election to Comprehensive Association Group Policyholders and failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders also violates §375.445.

167. By offering a coverage option for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders and not to individual certificate holders, Missouri residents were denied coverage for the diagnosis and treatment of autism spectrum disorders as required under §376.1224. As such, Chesapeake failed to carry out its contracts in good faith.

168. The violation by Chesapeake of §375.445 is a level two violation pursuant to §374.049 which may subject Chesapeake to a forfeiture of up to $1,000 per violation.

169. A knowing violation of §375.445 is a level three violation which may subject Chesapeake to a forfeiture of up to $5,000 per violation.

170. A violation of §375.445 knowingly committed in conscious disregard of the law is a level four violation which may subject Chesapeake to a forfeiture of up to $10,000 per violation.

171. The Director may also suspend or revoke Chesapeake's certificate of authority for a willful violation of §375.445.

COUNT XVI
Violations of §376.1224.2
Insurance Coverage for Autism Spectrum Disorders
Mega

172. Mega's offer of coverage for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders violates §376.1224.2.

173. Mega delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

174. Mega offered Comprehensive Association Group Policyholders, rather than individual certificate holders, the option of electing coverage or not electing coverage for the diagnosis and treatment of autism spectrum disorders.

175. Section 376.1224.2 requires all group health benefit plans to provide coverage for the diagnosis and treatment of autism spectrum disorders. There is no statutory provision which permits group policyholders to elect or not elect coverage for the diagnosis and treatment of autism spectrum disorders.

176. The violation by Mega of §376.1224.2 is a level one violation pursuant to §374.049.

177. A knowing violation of §376.1224.2 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

178. A violation of §376.1224.2 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT XVII
Violations of §376.1224.13 – Insurance Coverage for
Autism Spectrum Disorders
Mega

179. Mega's failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders of Comprehensive Association Group Policies violates §376.1224.13.

180. Mega delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

181. Mega did not offer coverage for the diagnosis and treatment of autism disorders to individual certificate holders as required by §376.1224.13.

182. Such offer of coverage would not be required if coverage for the diagnosis and treatment of autism spectrum disorders had been included in the group policy, as required under §376.1224.2.

183. The violation by Mega of §376.1224.13 is a level one violation pursuant to §374.049.

184. A knowing violation of §376.1224.13 is a level two violation which may subject Mega to a forfeiture of up to $1,000 per violation.

185. A violation of §376.1224.13 knowingly committed in conscious disregard of the law is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

COUNT XVIII
375.445 – Failing to Carry Out Contracts in Good Faith
Mega

186. Mega's offer of coverage election to Comprehensive Association Group Policyholders and failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders also violates §375.445.

187. By offering a coverage option for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders and not to individual certificate holders, Missouri residents were denied coverage for the diagnosis and treatment of autism spectrum disorders as required under §376.1224. As such, Mega failed to carry out its contracts in good faith.

188. The violation by Mega of §375.445 is a level two violation pursuant to §374.049 which may subject Mega to a forfeiture of up to $1,000 per violation.

189. A knowing violation of §375.445 is a level three violation which may subject Mega to a forfeiture of up to $5,000 per violation.

190. A violation of §375.445 knowingly committed in conscious disregard of the law is a level four violation which may subject Mega to a forfeiture of up to $10,000 per violation.

191. The Director may also suspend or revoke Mega's certificate of authority for a willful violation of §375.445.

COUNT XIX
Violations of §376.1224.2
Insurance Coverage for Autism Spectrum Disorders
Midwest National

192. Midwest National's offer of coverage for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders violates §376.1224.2.

193. Midwest National delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

194. Midwest National offered Comprehensive Association Group Policyholders, rather than individual certificate holders, the option of electing coverage or not electing coverage for the diagnosis and treatment of autism spectrum disorders.

195. Section 376.1224.2 requires all group health benefit plans to provide coverage for the diagnosis and treatment of autism spectrum disorders. There is no statutory provision which permits group policyholders to elect or not elect coverage for the diagnosis and treatment of autism spectrum disorders.

196. The violation by Midwest National of §376.1224.2 is a level one violation pursuant to §374.049.

197. A knowing violation of §376.1224.2 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

198. A violation of §376.1224.2 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT XX
Violations of §376.1224.13 – Insurance Coverage for
Autism Spectrum Disorders
Midwest National

199. Midwest National's failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders of Comprehensive Association Group Policies violates §376.1224.13.

200. Midwest National delivered, issued for delivery, continued or renewed group health benefit plans insuring Missouri residents after January 1, 2011.

201. Midwest National did not offer coverage for the diagnosis and treatment of autism disorders to individual certificate holders as required by §376.1224.13.

202. Such offer of coverage would not be required if coverage for the diagnosis and treatment of autism spectrum disorders had been included in the group policy, as required under §376.1224.2.

203. The violation by Midwest National of §376.1224.13 is a level one violation pursuant to §374.049.

204. A knowing violation of §376.1224.13 is a level two violation which may subject Midwest National to a forfeiture of up to $1,000 per violation.

205. A violation of §376.1224.13 knowingly committed in conscious disregard of the law is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

COUNT XXI
375.445 – Failing to Carry Out Contracts in Good Faith
Midwest National

206. Midwest National's offer of coverage election to Comprehensive Association Group Policyholders and failure to offer a coverage option for the diagnosis and treatment of autism spectrum disorders to individual certificate holders also violates §375.445.

207. By offering a coverage option for the diagnosis and treatment of autism spectrum disorders to Comprehensive Association Group Policyholders and not to individual certificate holders, Missouri residents were denied coverage for the diagnosis and treatment of autism spectrum disorders as required under §376.1224. As such, Midwest National failed to carry out its contracts in good faith.

208. The violation by Midwest National of §375.445 is a level two violation pursuant to §374.049 which may subject Midwest National to a forfeiture of up to $1,000 per violation.

209. A knowing violation of §375.445 is a level three violation which may subject Midwest National to a forfeiture of up to $5,000 per violation.

210. A violation of §375.445 knowingly committed in conscious disregard of the law is a level four violation which may subject Midwest National to a forfeiture of up to $10,000 per violation.

211. The Director may also suspend or revoke Midwest National's certificate of authority for a willful violation of §375.445.

COUNT XXII
Revocation or Suspension of Foreign Company's Certificate of Authority Chesapeake, Mega and Midwest National Pursuant to §375.881(6)

212. The violations set forth in Counts I to XVIII also constitute grounds for the suspension or revocation of the Certificates of Authority of Chesapeake, Mega, and Midwest National pursuant to §375.881 (6).

213. Chesapeake, Mega, and Midwest National are foreign insurance companies.

214. As alleged in Counts I to XVIII, Chesapeake, Mega, and Midwest National have violated the laws of Missouri.

215. Pursuant to §375.881 the Director may revoke or suspend the certificate of authority of a foreign insurance company whenever he finds that the company has violated any of the laws of Missouri.

REQUEST FOR RELIEF

The Division respectfully requests that the Director grant the following relief:

A. Issue an order finding that Chesapeake, Mega, and Midwest National have engaged in acts, practices, omissions, or courses of business constituting violations of the laws of this state relating to insurance in Chapters 354 or 374 to 385, and specifically including violations of §376.1218, 20 CSR 400-2.170, §376.1224.2, §376.1224.13 and §375.445.

B. Issue an order requiring Chesapeake, Mega, and Midwest National to cease and desist violating Missouri law;

C. Issue an order requiring Chesapeake, Mega, and Midwest National to cure or take other action necessary or appropriate to comply with the insurance laws of this state including, but not limited to, requiring Chesapeake, Mega, and Midwest National to submit payments of one-half percent of direct written premium, plus any applicable interest, for 2011, 2012, 2013 and 2014 to the Missouri First Steps Program, and to require Chesapeake, Mega and Midwest National to comply with the requirements of §376.1224 relating to insurance coverage for autism spectrum disorders.

D. Issue an order requiring the payment by Chesapeake, Mega, and Midwest National of monetary penalties and forfeitures pursuant to §§ 374.046 and 374.049.

E. Issue an order requiring Chesapeake, Mega, and Midwest National to pay the actual costs of this proceeding pursuant to §374.046.8.

F. Issue an order suspending or revoking the Certificate of Authority of Chesapeake, Mega, and Midwest National pursuant to §§375.445 and 375.881.

G. Such other relief as the Director deems just and appropriate.

REQUEST FOR A SHOW CAUSE ORDER

The Division respectfully requests that the Director issue an order directing Chesapeake, Mega, and Midwest National to show cause why the relief requested in this Verified Statement of Charges should not be entered against Chesapeake, Mega, and Midwest National. In such order to show cause, this matter should be set for a hearing at least ten days after service of the Verified Statement of Charges pursuant to §374.046.3 and §374.046.6, but not more than ninety days from the date of this Verified Statement of Charges as required by 20 CSR 800-1.030 (4).

Respectfully submitted,

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Legal Counsel
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Jefferson City, MO 65101

ATTORNEYS FOR DIVISION OF
INSURANCE MARKET REGULATION

VERIFICATION

I, James Mealer, Chief Examiner with the Division of Insurance Market Regulation, state that the factual allegations contained in this Statement of Charges are true and accurate to my best knowledge, information and belief.

James Mealer
Chief Market Conduct Examiner,
Division of Insurance Market Regulation, Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 5th day of January ~~2014.~~ 2015

Notary (Seal)

KIMBERLY LANDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: May 18, 2016
Commission Number: 12558402

My commission expires: May 18, 2016