

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

**In Re:** )  
 )  
**UNITED STATES FIRE** ) **Market Conduct**  
**INSURANCE COMPANY (NAIC # 21113)** ) **Investigation No. 13144-21113-LH**  
 )

**ORDER OF THE DIRECTOR**

NOW, on this 19<sup>th</sup> day of FEBRUARY 2016, Director John M. Huff, after consideration and review of the market conduct investigation of United States Fire Insurance Company (NAIC #21113) (hereafter referred to as “US Fire”) investigation number 13144-21113-LH, conducted by the Division of Insurance Market Regulation pursuant to §374.190 RSMo 2000, and the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), does hereby issue the following orders:

This order, issued pursuant to §§374.046.15 and 374.280 RSMo (Cum. Supp. 2013) is in the public interest.

IT IS THEREFORE ORDERED that US Fire and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that US Fire shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place US Fire in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that US Fire shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept,

the Voluntary Forfeiture of \$444,000, payable to the Missouri State School Fund.

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 19<sup>th</sup> day of FEBRUARY, 2016.



John M. Huff  
Director



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**UNITED STATES FIRE** ) **Market Conduct**  
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**STIPULATION OF SETTLEMENT  
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and United States Fire Insurance Company (NAIC #21113) (hereinafter “US Fire”) 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, US Fire has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Investigation of US Fire; and

WHEREAS, based on the Investigation of U.S. Fire, the Division alleges that:

1. US Fire issued coverage to Missouri residents under certificate form number AHC-27330 which was not approved by the Director of the Department (hereinafter, “the Director”) in violation of §376.405.1.<sup>1</sup>
2. US Fire failed to file coverage documents AH-27330, AHC-27330, and PA-27330 for approval with the Department as is required by 376.421.2 when form documents do not receive prior approval in the Master Policy’s state of issuance.
3. On May 11, 2006, when forms AH-27330, AHC-27330, and PA-27330 were filed for information, US Fire provided incorrect information that the product would not be marketed to discretionary groups in violation of §374.210.1 (2).

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<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

4. In 2006 and 2007, US Fire submitted an affidavit that incorrectly attested that the Group Blanket Accident and Health Trust (hereinafter “the Trust”) was established, created and maintained for the benefit of members of one or more associations when, in fact, the Trust was established for the purpose of providing insurance in violation of §374.210.1.
5. US Fire provided incorrect information to the Department in violation of §374.210.1 when it stated in a January 24, 2007 filing that, “Form AH-27330-MO is an association group policy that will be issued to associations in Missouri,” when, in fact, Form AHC-27330-MO was not used to provide coverage to associations in Missouri.
6. US Fire provided a response to the Department which incorrectly stated that association groups which were issued coverage by US Fire were policyholders in violation of §374.210.1 (2).
7. US Fire has utilized unlicensed business entity producers to solicit and negotiate insurance coverage in the State of Missouri and paid commissions, service fees, brokerage or other consideration to such unlicensed entities in violation of §375.076.1.
8. US Fire materially aided third party administrators in violating §376.1092.1 by utilizing such third party administrators to administer claims for Missouri residents prior to the administrator gaining required authorization from the Director.
9. US Fire’s unfiled form AH-27330 and AHC-27330 failed to provide the following mandated benefits required to be provided by health benefit plans:
  - a. Coverage for the diagnosis and treatment of autism spectrum disorders in violation of §376.1224;
  - b. Coverage for chiropractic care delivered by a licensed chiropractor acting within the scope of his or her practice in violation of §376.1230.1;
  - c. Coverage for immunizations of a child from birth to five years of age that are not subject to any deductible or co-payment, in violation of §376.1215;
  - d. Coverage for low-dose mammography screening for non-symptomatic women in violation of §376.782;
  - e. Coverage for routine patient care costs incurred as the result of phase II, III, or IV of a clinical trial approved by an entity listed in subsection 4 of §376.429 and undertaken for the purpose of the prevention, early detection or treatment of cancer in violation of §376.429;

- f. Optional coverage for the necessary care and treatment of loss or impairment of speech in violation of §376.781;
- g. A provision whereby the benefits payable on its contracts shall be paid, with or without assignment from the insured, to public hospitals or clinics for services and supplies provided to the insured in violation of §376.778;
- h. Coverage for a mastectomy did not include coverage for prosthetic devices necessary to restore symmetry as recommended by an oncologist or primary care physician in violation of §376.1209;
- i. Coverage for 1) A pelvic examination and pap smear for any non-symptomatic woman covered under its policies, 2) A prostate exam for any non-symptomatic man covered under its policies, and 3) A colorectal cancer exam for any non-symptomatic person covered under its policies, all in violation of §376.1250;
- j. Coverage for the cost for human leukocyte antigen testing for utilization in bone marrow transplantation in violation of §376.1275;
- k. Optional coverage for testing pregnant women for lead poisoning and for all testing for lead poisoning authorized by statute or rule in violation of §376.1290;
- l. Coverage for early intervention services in violation of §376.1218;
- m. Coverage for formula and low protein modified food products recommended by a physician for the treatment of a patient with phenylketonuria or inherited disease of amino and organic acids who is less than six years of age in violation of §376.1219;
- n. Coverage for administration of general anesthesia and hospital charges for dental care to 1) A child under the age of five, 2) A person who is severely disabled, or 3) A person who has a medical or behavioral condition which requires hospitalization or general anesthesia when dental care is provided, all in violation of §376.1225;
- o. Coverage for certain emergency services necessary to screen and stabilize an enrollee in violation of §376.1367;
- p. Coverage for a second opinion for a patient with newly diagnosed cancer

rendered by a specialist in that specific cancer diagnosis area when the patient is referred to such specialist by their attending physician in violation of §376.1253;

- q. Coverage for the treatment of mental health conditions in violation of §376.1550;
  - r. Coverage for prosthetic devices in violation of §376.1232; and
  - s. Coverage for charges or loss caused by or resulting from suicide or self-inflicted injury in violation of 20 CSR 400-2.060 (3) (F).
10. US Fire issued certificates to Missouri residents that did not include a clear and comprehensive description of its utilization review procedures, including the procedures for obtaining a review of adverse determinations, and a statement of the rights and responsibilities of enrollees with respect to those procedures in violation of §376.1372.
11. US Fire issued certificates to Missouri residents that require parents to send in a “written” notification within 31 days of the birth of the child in order to continue coverage for the child beyond 31 days, when Missouri law does not require that the notification be “written” in violation of §376.406.3.
12. US Fire issued certificates to Missouri associations using policy forms that utilized waiting periods in violation of §376.405.1.
13. US Fire issued certificates to Missouri residents using policy forms utilizing a subrogation clause in violation of 20 CSR 400-2.030 (6) (D).
14. US Fire omitted to disclose to certificate holders that their certificates of coverage were not approved by the Department and contained significant differences in benefits, advantages, conditions and terms from the certificates filed and approved for use in Missouri in violation of §§375.934 and 375.936 (6) (a).
15. US Fire has failed to carry out its contracts in violation of §375.445 by: a) issuing certificates of coverage that were not approved for use in Missouri; b) issuing certificates of coverage to Missouri residents that do not contain all mandated benefits; and c) not administering its contracts according to state law even when a conformity with state statutes provision is contained in its contracts.
16. US Fire, in connection with the offer, sale, solicitation or negotiation of insurance, failed to disclose to contract holders the material fact that the certificates being issued to

contract holders did not contain certain mandated benefits in violation of §375.144.

17. US Fire made incorrect statements in records submitted to the Director on May 11, 2006, January 24, 2007, March 19, 2007, February 23, 2010, February 4, 2013, January 10, 2014, July 14, 2014, and February 27, 2015 in violation of §374.210.1.

WHEREAS, US Fire denies the allegations of the Division and enters into this agreement solely for the purpose of settling disputed claims. US Fire does not in any way agree with or admit the allegations of the Division nor should anything in this agreement be construed as an admission of liability by US Fire.

WHEREAS, the Division and US Fire have agreed to resolve the issues raised in the Market Conduct Investigation as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture 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.** US Fire agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those remedial actions at all times, to reasonably assure that the errors noted in this stipulation do not recur. Such remedial actions shall include the following:

1. US Fire agrees that from the date of the order approving this Stipulation forward, it will not issue new policies or continue or renew policies to a trust for the purpose of providing insurance to members of an association who are residents of Missouri unless the trust is created and maintained for the benefit of members of one or more associations (a "Missouri Compliant Trust"). US Fire shall have a one year grace period in which to transition the Missouri association business currently being written through trusts which do not qualify as Missouri Compliant Trusts by doing one or more of the following (a) amending any trusts that are not Missouri Compliant Trusts to make them Missouri Compliant Trusts by including language to the effect that "the trustee will exercise its fiduciary duty to ensure that the trust is maintained for the benefit of members of one or more associations" ("Trustee Fiduciary Language"); (b) creating new Missouri Compliant Trusts that include Trustee Fiduciary Language; (c) issuing policies directly to Associations; or (d) issuing individual policies.

2. US Fire agrees that it will file forms for approval with the Director for insurance products provided to association groups or to eligible discretionary groups situated in Missouri. The Director agrees that US Fire filings will be reviewed in the ordinary course. If the insurance products are provided to a Missouri Compliant Trust situated in another state, or directly to an association group situated in another state, or to an eligible discretionary group, that is not a trust, situated in another state, US Fire agrees that it will submit an appropriate filing to the Director of certificates of coverage provided to Missouri residents.

3. US Fire agrees that it will not expand any coverage beyond the scope of the TOI code used for the product.

4. US Fire agrees that it will not market its “Excepted Benefit” insurance products through association groups in a manner that represents to a consumer that US Fire will provide a comprehensive medical insurance policy to Missouri residents unless the product marketed is a comprehensive medical insurance policy that has been filed with and approved by the Director under TOI codes H16G or H16I. US Fire further agrees to contractually prohibit its contracted producers and other contracted third parties offering insurance through associations from marketing US Fire Excepted Benefit insurance products in a manner that violates the above proscription that applies to US Fire. “Excepted benefit” means an insurance product as defined in § 376.960.

5. US Fire agrees that it will conduct a review of the marketing and advertising practices of associations that offer US Fire insurance products to Missouri residents on a yearly basis for the next three years and will provide an annual report of its findings to the Director for each association as to whether any such association has violated paragraph 4 above.

6. US Fire agrees that it will contractually prohibit its contracted producers and other contracted third parties offering insurance through association groups from marketing US Fire’s Excepted Benefits, either individually or packaged with other insurance products sold by US Fire or its affiliates in a manner that represents that coverage provided to Missouri residents is equivalent to or substantially equivalent to a comprehensive medical insurance policy.

7. US Fire agrees that with respect to any group insurance offered through a discretionary group or through an association to Missouri resident association members whereby the Missouri resident member is electing and paying for such group insurance, US Fire will contractually require its contracted producers and contracted associations to provide a clear



written disclosure listing the premium charged for any such insurance product. US Fire shall have one hundred and eighty (180) days from the date of the order approving this Stipulation in which to modify its contractual arrangements with its contracted producers to implement the provisions of this paragraph 7. With respect to its contracted associations, the contractual requirement described in this paragraph 7 shall only apply to premium charges to association members arising out of new, renewed, or continued master policies issued to such associations after the effective date of the order approving this stipulation.

8. US Fire agrees to comply with the provisions of § 376.422.

9. US Fire agrees to comply with all Missouri legal requirements when issuing coverage to Missouri residents who are members of associations situated in Missouri and agrees to comply with all extraterritorial Missouri legal requirements when issuing coverage to Missouri residents who are members of associations situated outside of Missouri.

10. US Fire agrees to provide the Department with a compliance plan to insure that all producers and third party administrators utilized by US Fire are properly licensed in Missouri prior to selling US Fire products, administering claims, or providing other services. US Fire further agrees to provide the Department with an audit plan to ensure that TPAs acting on its behalf are acting in compliance with all Missouri laws.

11. US Fire agrees to provide full, complete and accurate information to the Division, the Department and the Director in response to future information requests received from the Division, the Department or the Director

12. US Fire agrees to review all claims submitted by or on behalf of Missouri residents to US Fire, its TPAs, or third parties acting on behalf of US Fire under certificates of coverage for policies issued under TOI codes H14G, H141, H16G, and or H161, from January 1, 2008 to the date of the Order finalizing this investigation, for all Missouri mandated benefits to determine if any claims were improperly denied or reduced. If the claim was improperly reduced or denied, US Fire must issue payments due to the claimants, bearing in mind that an additional payment of 1% interest is also required on all electronically-submitted claims that were paid more than 45 days after receipt, pursuant to §376.383. In addition, interest at the rate of 9% per annum must be included on all paper claims, pursuant to §408.020. A letter must be included with the payments indicating that “as a result of a Missouri Market Conduct investigation,” it was found that additional payment was owed on the claim.

13. US Fire agrees to maintain a producer registry in compliance with Missouri law.

14. US Fire represents that it does not offer blanket accident and sickness policies to student groups in Missouri, although it does offer blanket accident policies to such groups.

C. **Compliance.** US Fire agrees to file documentation with the Division within 90 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation and to document payment of restitution required by this stipulation. US Fire further agrees to pay the reasonable expenses, not to exceed \$25,000, incurred by the Division in reviewing the documentation provided by US Fire pursuant to this Paragraph C.

D. **Voluntary Forfeiture.** US Fire agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$444,000, such sum payable to the Missouri State School Fund, in accordance with §374.280.

E. **Other Penalties.** For the conduct found in or that was the subject of Market Conduct Investigation 13144-21113-LH, the Division agrees that it will not seek penalties against US Fire, other than those agreed to in this Stipulation. The Division is not precluded from seeking penalties against US Fire based on other examinations or investigations.

F. **Waivers.** US Fire, 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, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Investigation. However, US Fire does not waive any procedural rights it may have concerning future findings related to compliance with this stipulation or the order approving this stipulation.

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

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

I. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

J. **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 approving this Stipulation.

K. **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: 2/16/16

  
\_\_\_\_\_  
Angela L. Nelson  
Director, Division of Insurance  
Market Regulation


DATED: 2/16/16

  
\_\_\_\_\_  
Stewart Freilich  
Senior Regulatory Affairs Counsel  
Division of Insurance Market Regulation

DATED: 2/9/16

  
\_\_\_\_\_  
Marc J. Adee  
President  
United States Fire Insurance Company

DATED: 2/10/16

  
\_\_\_\_\_  
Charles W. Hatfield  
Stinson Leonard Street LLP  
Counsel for United States Fire  
Insurance Company