

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

In Re:)
)
AMERICAN ALTERNATIVE INSURANCE) Market Conduct Examination
CORPORATION (NAIC #19720)) No. 1503-99-TGT

ORDER OF THE DIRECTOR

NOW, on this 21st day of May, 2019, Director, Chlora Lindley-Myers, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") entered into by the Division of Insurance Market Regulation (hereinafter "Division"), and American Alternative Insurance Corporation (NAIC #19720) (hereinafter "AAIC"), relating to the market conduct examination set out in the caption above, does hereby issue the following orders:

This order, issued pursuant to §§374.205.2(5), 374.280, and 374.046.15 RSMo 2016, is in the public interest.

IT IS THEREFORE ORDERED that AAIC and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that AAIC shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation, shall maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that AAIC shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$85,000.00 payable to the Missouri State School Fund in connection with examination no. 1503-99-TGT.

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 21st day of May, 2019.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF INSURANCE, FINANCIAL
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STATE OF MISSOURI**

In Re:)
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AMERICAN ALTERNATIVE INSURANCE) **Market Conduct Examination**
CORPORATION (NAIC #19720)) **1503-99-TGT**
)
)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the "Division"), and American Alternative Insurance Corporation (NAIC #19720) (hereinafter "AAIC"), 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 of Missouri; and

WHEREAS, AAIC 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 Examination of AAIC, examination #1503-99-TGT; and

WHEREAS, based on the Market Conduct Examination of AAIC, the Division alleges that:

1. AAIC provided group health insurance coverage to Missouri residents which did not comply with or provide Missouri's mandated benefits.
2. AAIC failed to maintain its books, records, documents and business records in a manner such that the market conduct examiners could readily ascertain the company's claims

handling and payment, termination, & underwriting.

3. AAIC used unapproved forms for its STM 2006-1 product and modified forms for its CMM 2006-1 product that were previously approved by the Director without refiling the modifications.

4. AAIC issued group health insurance coverage to an unauthorized group.

WHEREAS, AAIC disagrees with the alleged findings and denies any wrongdoing or activity that violates any applicable laws or regulations. However, in light of the complicated issues raised, AAIC has agreed to resolve all issues relating to the Examination and the regulatory issues through this Agreement. AAIC voluntarily enters into this Agreement solely for the purpose of reaching a compromise and settlement to fully resolve the issues raised in the Examination.

WHEREAS, AAIC has represented to the Division that it is currently no longer offering any major medical, limited benefit or short-term health insurance products to Missouri residents and has submitted, pursuant to the Department's requirements, a written information letter to the Department stating that AAIC will no longer be issuing the CMM 2006-1 and STM2006-1 products and there is no active business.

WHEREAS, the Division and AAIC have agreed to resolve the issues raised in the Market Conduct Examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter, "Stipulation") 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.** Should AAIC re-enter the group health insurance market in the

future, AAIC agrees to take remedial actions which shall include, but are not limited to, the following:

1. AAIC agrees it will only issue group accident and health insurance coverage in accordance with §376.421 and 20 CSR 400-2.130, unless that statute and regulation contain provisions excepting such coverage from their requirements.
2. AAIC agrees with respect to any health insurance coverage issued to Missouri residents or groups; it will comply with all applicable mandated benefits or offers that are in effect under Missouri law at that time. AAIC also agrees with respect to any health insurance coverage issued to Missouri residents or groups, it will comply with all Missouri mandates with extraterritorial applicability, if any, are applicable.
3. AAIC agrees it will comply with all document retention requirements contained in §374.205.2 and 20 CSR 100-8.040.
4. AAIC agrees it will not modify forms filed with or filed and approved by the Director without refileing such modifications.

C. **Voluntary Forfeiture.** AAIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$85,000 such sum payable to the Missouri State School Fund, in accordance with §374.280.

D. **Other Penalties.** The Division agrees that it will not seek penalties against AAIC, other than those agreed to in this Stipulation, in connection with Market Conduct Examination #1503-99-TGT.

E. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by AAIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal

allegations arising out of the above referenced market conduct examination. AAIC does not agree with certain findings in the Market Conduct Examination and it is the position of AAIC that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed facts and legal allegations. The signing of this Stipulation of Settlement and Voluntary Forfeiture and AAIC's consent to pay the voluntary forfeiture set forth in it does not constitute an admission of wrongdoing or liability on their part and is done to fully, finally and completely resolve all the matters encompassed within the scope of this Agreement and the Market Conduct Examination without further regulatory or administrative process or any actions, requirements or monetary payments beyond those enumerated herein.

F. **Waivers.** AAIC, 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 Market Conduct Examination #1503-99-TGT.

G. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and AAIC.

H. **Governing Law.** This Stipulation 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, on behalf of the Division and AAIC respectively.

J. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director of the Department (hereinafter the "Director") approving this Stipulation.

K. **Request for an Order.** The signatories below request that the Director issue an

Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 5/21/2019



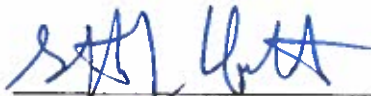
Angela L. Nelson, Director
Division of Insurance Market Regulation

DATED: 5/21/2019



Stewart Freilich
Senior Regulatory Affairs Counsel

DATED: May 7, 2019



Stephen Corbett
American Alternative Insurance Corporation

DATED: May 7, 2019



Daniel Umphress
American Alternative Insurance Corporation