

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE  
STATE OF MISSOURI**

*In Re:*

**AMERICAN FINANCIAL SECURITY LIFE ) Market Conduct Investigation  
INSURANCE COMPANY (NAIC #69337) ) No. 314653**

## **ORDER OF THE DIRECTOR**

NOW, on this 22<sup>nd</sup> day of July, 2020, 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 Financial Security Life Insurance Company (NAIC #69337) (hereinafter "AFSLIC"), relating to the market conduct investigation no. 314653, does hereby issue the following orders:

This order, issued pursuant to §374.046.15<sup>1</sup> and §374.280 is in the public interest.

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

**IT IS FURTHER ORDERED** that AFSLIC 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 and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

**IT IS FURTHER ORDERED** that AFSLIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$61,000.00, 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 22<sup>nd</sup> day of July, 2020. 

Chloea Lindley Myers



<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

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**In Re:** )  
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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 American Financial Security Life Insurance Company (NAIC #69337) (hereinafter “American Financial”), as follows:

**WHEREAS**, the Division is a unit of the Missouri Department of Commerce and Insurance (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**, American Financial 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 American Financial, investigation #314653; and

**WHEREAS**, based on the market conduct investigation of American Financial, the Division alleges that:

1. American Financial misrepresented and concealed material facts in connection with the offer, sale, solicitation and negotiation of its individuals, short-term medical (STM) products marketed as Core Connect, Merit, and Prime Care Plus in violation of §375.144(2).<sup>1</sup>
2. American Financial made, issued, circulated, or caused to be made, issued or circulated, statements or sales presentations which misrepresented policy benefits related to its STM

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<sup>1</sup> All references, unless otherwise noted, are to Missouri Revised Statutes 2016.

products marketed as Core Connect, Merit, and Prime Care Plus in violation of §375.934 and §375.936(6)(a).

3. American Financial failed to file application form AF STM ENR APP 0174 for approval by the Director of the Department (hereinafter “Director”) in violation of §376.777.7(1) and 20 CSR 400-8.200(3).

4. American Financial issued policy forms to Missouri residents that were neither filed with nor approved by the Director in violation of §376.777.7(1).

5. American Financial provided factually incorrect information to the Director in violation of §374.210.1(2).

6. American Financial took into account individuals’ Medicaid eligibility during enrollment in violation of §376.818.

7. American Financial issued identification cards that do not say “Fully Insured” in violation of 20 CSR 100-1.070(3)(A)3.

**WHEREAS**, the Division and American Financial 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 (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.** American Financial 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 ensure that the errors noted in this Stipulation do not recur. Such remedial actions shall include the following:

1. American Financial agrees to cease the use in Missouri of any and all Core Connect and Prime Care Plus health insurance advertisements and sales verification scripts containing any of the misrepresentations or omissions noted in the investigation findings.

2. For a period of three years, American Financial agrees to file any and all STM health insurance advertisements, as defined in 20 CSR 400-5.700(2)(A), with the Department for approval prior to use in the State of Missouri. The filings shall be submitted through the System for Electronic Rate and Form Filing (“SERFF”) and include the statement that “as a result of a Missouri market conduct investigation, the attached advertisement(s) are/is being filed with the Director.”

3. American Financial agrees not to offer, issue, sell or renew health insurance policies in the State of Missouri unless such policies have been approved by the Department.

4. American Financial agrees to file all policy forms currently being used in the State of Missouri or providing coverage to Missouri residents with the Department. The filings shall be submitted through SERFF and include the statement that “as a result of a Missouri market conduct investigation, the attached policy form is being filed with the Director.”

5. American Financial agrees to cease the use of all health insurance applications, including application forms AF ST IND APP MO 714 (115) and AF STM ENR APP 0714, unless such application forms are approved by the Department.

6. American Financial agrees to file an amendment to the STM application approved by the Department under SERFF tracking number ICCI-130535887 that complies with the requirements of §376.818. The filings shall be submitted through SERFF and include the statement that “as a result of a Missouri market conduct investigation, the attached application is being filed with the Director.”

7. American Financial agrees going forward to report on their annual statement any individual STM premium in Missouri.

8. American Financial agrees to issue identification cards or similar documents to Missouri insureds or enrollees that indicate their health benefit plans are regulated by the Department by placing “Fully Insured” on the front of the card or documents.

C. **Compliance.** American Financial agrees to file documentation with the Division, in a format acceptable to the Division, within 90 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.190.

D. **Voluntary Forfeiture.** American Financial agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$61,000 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

E. **Other Penalties.** The Division agrees that it will not seek penalties against American Financial, other than those agreed to in this Stipulation, in connection with the above-referenced market conduct investigation.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by American Financial, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct investigation.

G. **Waivers.** American Financial, 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 investigation #314653.

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

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and American Financial respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution by facsimile or by electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall not become effective until entry of a Final Order by the Director approving this Stipulation.

M. **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: 7-21-2020



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Stewart Freilich  
Chief Market Conduct Examiner and  
Senior Counsel  
Division of Insurance Market Regulation

DATED: July 1, 2020



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Michael Lagalante  
Vice President  
American Financial Security Life Insurance Company