



DEPARTMENT OF COMMERCE & INSURANCE

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

In Re:)
)
FEDERAL INSURANCE COMPANY) Market Conduct Investigation No. 358380
(NAIC #20281))

ORDER OF THE DIRECTOR

NOW, on this 18th day of January, 2022, 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 Federal Insurance Company (NAIC #20281) (hereinafter “Federal”), relating to the market conduct investigation no. 358380, does hereby issue the following orders:

This order, issued pursuant to §374.046.15¹ and §374.280 is in the public interest.

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

IT IS FURTHER ORDERED that Federal 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.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

IT IS FURTHER ORDERED that Federal shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$3,500.00, 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 18th day of January, 2022.



Chlora Lindley Myers
Chlora Lindley-Myers
Director

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

In Re:)
)
FEDERAL INSURANCE COMPANY) **Market Conduct Investigation No. 358380**
(NAIC #20281))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter, the “Division”), and Federal Insurance Company (NAIC #20281) (hereinafter “Federal”), 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;

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

WHEREAS, the Division conducted a market conduct investigation of Federal, investigation no. 358380; and

WHEREAS, based on the market conduct investigation of Federal the Division alleges that:

1. Federal’s OneCare, Cardinal Choice and Continental Care hospital indemnity insurance advertisements, enrollment materials, and policyholder communications contained inaccurate benefit information in violation of §375.936(4) ¹, §375.936(6)(a), §375.934(2) and 20 CSR 400-5.700.

2. Federal disseminated inaccurate information to Missouri insureds about their free

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

look period in violation of §375.936(6)(a), §375.934(2), 20 CSR 400-5.700, 20 CSR 400-2.010(2) and 20 CSR 400-2.010 (3).

3. Federal's Cardinal Choice applications and policyholder communications defined "pre-existing condition" in a manner that differed from the terms of the policy in violation of §375.936(6)(a) and §375.934(2).

4. Federal issued Outline of Coverage documents for its Cardinal Choice and OneCare products in a manner that was not filed or approved by the Director of the Department (hereinafter "Director") in violation of §376.777.7(1).

5. Federal did not file rates with the Department for group hospital indemnity coverages sold to Missouri residents in violation of §376.465.

6. Federal's annual supplemental filings to the Department were inaccurate, in that, they did not include premium for group hospital indemnity insurance premiums written in Missouri in violation of §374.210.1(2).

WHEREAS, the Division and Federal 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.** Federal 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. Such remedial actions shall include, but are not limited to, the following:

1. Federal agrees to file with the Director, prior to use, all hospital indemnity insurance brochures, sales verification scripts, and EchoSign documents pursuant to 20 CSR 400-5.700(16)(B).

2. Federal agrees to ensure that its hospital indemnity insurance advertisements, enrollment materials, and policyholder communications accurately describe the benefits, terms, and conditions of its insurance policies or certificates offered to Missouri residents.

3. Federal agrees not to issue unfiled or unapproved forms when such forms are required to be filed or approved by the Director prior to use.

4. Federal agrees to file rates with the Director in accordance with §376.465, including rates for OneCare, Cardinal Choice, and Continental Care products. Said filings shall be submitted through the System for Electronic Rate and Form Filing (“SERFF”) within 60 days from the date of the Order approving this Stipulation. The SERFF filing will include a statement indicating that “as a result of a Missouri market conduct investigation, the attached rates are being filed with the Department.”

5. Federal agrees to file complete and accurate annual supplement reports with the Director.

6. Federal agrees for the purpose of making a one-time offer of a retroactive premium refund to policyholders of any OneCare or Cardinal Choice insurance contract sold in Missouri on or after January 1, 2018, it will utilize a professional address verification service such as Accurint, as approved by the Department, to verify the most current mailing address of each Missouri policyholder. The letter accompanying the offer shall be subject to pre-approval by the Division. If Federal does not receive a reply from a policyholder within 30 days from the date the refund offer letter is sent, then Federal may assume that the insured still wants the insurance. If Federal receives confirmation from a policyholder, within 30 days from the date the refund offer letter is sent,

accepting the offer of a retroactive premium refund, then for those policyholders who have not received a claims payment, Federal will pay such refund and cancel said policy back to the original inception date of that policy. For those policyholders who have received a claims payment under their policy, Federal will pay a refund of any premium received after payment of the last paid claim and cancel said policy back to the date of the last paid claim. Federal will include interest pursuant to §374.191 and §32.065 with the refund of cancellation premiums. The Division acknowledges this offer of a retroactive premium refund and rescission of coverage is not provided for in the terms of Federal's policies; and consents to this offer of a retroactive cancellation and premium refund.

7. Federal agrees to report the Continental Care premium received from Missouri residents on or after September 1, 2018 on Federal's 2021 Missouri tax return. Federal would then make one premium tax payment to Missouri, which would include the amounts owed for 2018-2021.

C. **Compliance.** Federal agrees to file documentation with the Division, in a format acceptable to the Division, within 120 days of the entry of a final order of any remedial action taken pursuant to Paragraphs B.1 - B.5, and B.7, to implement compliance with the terms of this Stipulation. Federal further agrees to file documentation with the Division, in a format acceptable to the Division, within 365 days of the entry of a final order of any remedial action taken pursuant to Paragraphs B.6, to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.190.

E. **Voluntary Forfeiture.** Federal agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$3,500 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by Federal, 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.** Federal, 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 no. 358380.

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

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 Federal 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: 12-28-2021



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

DATED: December 23, 2021

DocuSigned by:
Suresh Krishnan
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Suresh Krishnan
EVP, NA A&H Underwriting
Federal Insurance Company