

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

In Re:)
)
MEDICO INSURANCE COMPANY) **Market Conduct Exam No. 1306-13 -TGT**
(NAIC # 31119))
)

ORDER OF THE DIRECTOR

NOW, on this 10 day of April, 2015, Director John M. Huff, after consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (the “Stipulation”) entered into between the Division of Insurance Market Regulation and Medico Insurance Company (NAIC #31119) (hereinafter referred to as “Medico”), 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, Medico and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

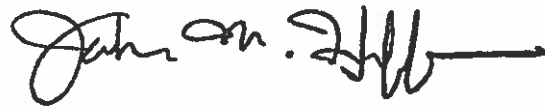
IT IS FURTHER ORDERED that Medico shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place Medico in full compliance with the requirements of the Stipulation and to maintain those remedial actions at all times.

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

the Voluntary Forfeiture of \$50,000 (fifty thousand dollars) 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 10 day of April, 2015.



John M. Huff, Director



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

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DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
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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 Medico Insurance Company (NAIC #31119) (hereinafter referred to as "Medico"), 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, Medico 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 Medico; and

WHEREAS, the Market Conduct Examination indicated that:

1. Medico does not appear to have appropriate underwriting processes in place to assure that Missouri applicants eligible for guarantee issue coverage pursuant to 20 CSR 400-3.650 (12) (B) 8 are accorded their guarantee issue rights pursuant to 20 CSR 400-3.650 (12) (A) 2.
2. Medico utilizes marketing/advertising materials that may mislead Missouri applicants eligible for guarantee issue coverage into answering underwriting questions that could result in the applicants being declined for coverage in violation of §375.936 (4) and (6) (a)¹.
3. Medico appears to lack procedures to assure that its issuance of Medicare Supplement

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

insurance does not result in excessive insurance in violation of 20 CSR 400-3.650 (20) (A) 2.

WHEREAS, the Division and Medico 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 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.** Medico 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 the above-referenced market conduct examination do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Medico has implemented and agrees to maintain a new underwriting procedure named "Missouri Anniversary Date Guarantee Issue Rules". Under these rules, if the applicant's responses to the other Medicare coverage questions indicate the applicant may be eligible for anniversary guarantee issue, the underwriter will ask the applicant certain additional questions as part of the personal health interview call to verify whether the applicant is eligible for anniversary guarantee issue. If it is determined that the applicant is eligible for anniversary guarantee issue, the underwriter will cease all questioning, close out the current file, and ask the agent to resubmit the application as guarantee issue, without answers to medical questions.

2. Medico agrees to make changes to its advertising/marketing materials and application to ensure that Missouri applicants who may be eligible for guarantee issue coverage are clearly informed that they are not required to answer underwriting questions if they qualify for guarantee issue coverage. Medico represents that they are proposing changes to their "Outline of Coverage" and application to effectuate this purpose.

3. Medico has implemented and agrees to maintain its Medicare Supplement policy issue letters to include the following note: "If you are replacing other coverage with this plan, it is your responsibility to notify your existing insurer to cancel the policy." Medico has also implemented and agrees to maintain changes to its Medicare Supplement Underwriting Guide to

highlight the law with respect to duplication of coverage and the agent's responsibility to confirm with the applicant that the proposed effective date of the new coverage corresponds with the date of cancellation or disenrollment for any coverage to be replaced. Medico has provided refunds totaling \$5,182.45 to complainants for premiums paid during the period in which duplicate coverage existed, less claims paid during such period, plus interest at the rate of 9% per annum.

C. **Further Remedial Action.** The Division and Medico agree that Medico may adopt and implement remedial actions not contained in Paragraph B of this Stipulation with the prior written consent of the Division. The Division and Medico further agree that Medico may adopt and implement alternative remedial actions to those listed in Paragraph B of this Stipulation, but only with the prior written consent of the Division.

D. **Compliance.** Medico agrees to file documentation with the Division within 90 days of the entry of a final order of any additional remedial action taken, if any, to implement compliance with the terms of this stipulation.

E. **Voluntary Forfeiture.** Medico agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$50,000, such sum payable to the Missouri State School Fund, in accordance with §374.049 and §374.280 RSMo Supp. 2013.

F. **Other Penalties.** The Division agrees that it will not seek penalties against Medico, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examination 1306-13-TGT.

G. **Waivers.** Medico, 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 Examination.

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

I. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture 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 of Settlement and Voluntary Forfeiture.

K. **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.

L. **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: 4/10/15


Angela Nelson
Director, Division of Insurance
Market Regulation

DATED: 4/10/15


Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 04-07-15


President
Medico Insurance Company

DATED: 4/3/15


Ryan L. Cole
Counsel
Medico Insurance Company