

Corporate Compliance Department  
P.O. Box 982010  
North Richland Hills, TX 76182-8010

March 26, 2013

Via SERFF Tr Num: MGCC-128941714

John M. Huff-Director of Insurance,  
Financial Institutions & Professional Registration  
State of Missouri Department of Insurance  
Financial Institutions & Professional Registration  
301 West High Street, Room 530  
P.O. Box 690  
Jefferson City, Missouri 65102

Attn: Mary Kempker

RE: Notice of Intent to Discontinue Non-Grandfathered Health Benefit Plans  
Individual Market

Dear Ms. Kempker:

The MEGA Life and Health Insurance Company has made the difficult decision to discontinue its non-grandfathered health benefit plans that were issued in the individual market in Missouri. This formal notice of discontinuance follows our e-mail notice to you on March 4, 2013 and is being submitted via SERFF as indicated in your March 7, 2013 response.

Our records indicate that there are 8 non-grandfathered plans (covering 12 lives) in effect that will be impacted by the Company's decision to discontinue its non-grandfathered business. Consistent with this decision and in accordance with state and federal law, the following actions will occur:

- The existing health benefit plans will be terminated effective mid-night on 12/31/2013.
- MEGA will provide the affected insureds with notice of the discontinuance of their health benefit plan by July 1, 2013. This will provide the insureds with 180 days advance notice and ensure that adequate time is allowed for the insureds to arrange for replacement coverage and avoid any gap in coverage. The affected insureds will be able to freely choose among any available plans inside or outside of the Exchange (per the state's mechanism) during the open enrollment period that begins in October 2013. We are enclosing a draft of the notice that will be sent to the affected insureds for your information.

By way of background, in late 2009, the HealthMarkets, Inc. insurance carrier (which includes MEGA) ceased issuing new health benefit plans and began to focus their efforts on the development and administration of new supplemental insurance products. We discontinued sales of all health benefit plans in Missouri by August 2010. Since then, we have continued to manage the closed blocks of grandfathered and non-grandfathered plans (as those terms are used in ACA). As of December 31, 2012, MEGA had 8 non-grandfathered plans in effect that were issued in Missouri. In view of the significant changes that will apply to these non-grandfathered plans as of January 2014 (including but not limited to minimum essential health benefits requirements), and the infrastructure work that would be required to support such plans, we made the decision to discontinue these non-grandfathered plans as allowed under the new guaranteed renewability provisions of the final Health Insurance Market Rules that were published in the Federal Register on February 27, 2013.

We believe federal law supports that non-grandfathered plans are separate health benefit plans and may be discontinued for the following reasons:

- The ACA clearly distinguishes plans in effect on or prior to 3/23/2010 (grandfathered plans) from plans in effect on and after 3/24/2010 (non-grandfathered plans) in part because there are significant benefit differences. Also, in accordance with Section 1251 of the ACA, individuals have the right to keep their existing grandfathered insurance plan in order to satisfy the individual requirement to have health insurance. Grandfathered plans are exempt from most of the 2010 and 2014 ACA Health Insurance Market Reforms (such as prohibitions on annual limits for essential health benefits, guaranteed availability, adjusted community rating, coverage for preventive services, and essential health benefit and minimum essential coverage requirements). As such, we believe that under federal law "grandfathered" and "non-grandfathered" plans are rightly viewed as and considered to be different plans or products.
- In the final Health Insurance Markets Rules published in the Federal Register on February 27, 2013, the guaranteed renewability requirements of 45 CFR 147.106 (PHS Act Section 2703) allow discontinuance of a particular product (non-grandfathered plans) in accordance with applicable state law in the applicable market if the carrier:
  - 1) provides notice in writing to each individual provided that particular product in that market (and to all participants and beneficiaries covered under such coverage) of the discontinuation at least 90 calendar days before the date the coverage will be discontinued;
  - 2) offers to each individual provided that particular product the option, on a guaranteed issue basis, to purchase all other health insurance coverage currently being offered by the issuer in that market; and
  - 3) acts uniformly without regard to the claims experience of those individuals, or any health status-related factor relating to any participants or beneficiaries covered or new participants or beneficiaries who may become eligible for such coverage.

MEGA intends to continue to administer its existing closed block of grandfathered health benefit plans.

Thank you for your assistance with this matter. Please contact me at (817) 255-3188 or by e-mail at [Susan.Luna@Healthmarkets.com](mailto:Susan.Luna@Healthmarkets.com) if you require any additional information.

Sincerely,



Susan A. Luna  
Senior Director and Privacy Official

SAL/ts

Enclosure

The Customer Care Center  
P.O. Box 982010  
North Richland Hills, TX 76182-8010

[Date]

[Insured]  
[Address]  
[City, State, Zip]

RE: **Termination of Your Health Benefit Plan Effective 12/31/2013**  
**Plan No.: [xxxxxxxxxx]**

Dear [Insured]:

The MEGA Life and Health Insurance Company ("the Company") has made the difficult decision to discontinue all health benefit plans of the plan type issued to you in [ issue state ]. **As a result of this decision, the Company will be terminating your insurance plan number(s) referenced above effective [mid-night on 12/31/2013].**

Any supplemental-type insurance plans that you have in force with us (e.g., dental, vision, accident, hospital indemnity, etc.) will remain in effect unless you request that we cancel such coverage.

The Affordable Care Act (ACA, also referred to as health care reform) establishes mechanisms through which you may obtain health insurance coverage regardless of your health status. Open enrollment periods under the ACA begin in October 2013 and extend through March 2014. You may find information regarding insurance carriers that will be offering ACA-compliant health benefit plan options in your state through the following sources:

- **Insphere Insurance Solutions** – You may contact our Customer Service Department at [xxx.xxx.xxxx] for referral to Insphere Insurance Solutions so that a local licensed insurance producer may contact you. You may also contact Insphere Insurance Solutions directly at [xxx.xxx.xxxx] and request that an insurance producer contact you.
- **State of Missouri Department of Insurance:**  
Consumer Topics: <http://difp.mo.gov/>  
Email: [ConsumerAffairs@insurance.mo.gov](mailto:ConsumerAffairs@insurance.mo.gov)

We would like to thank you for your business, and we regret that we will no longer be serving as your insurance carrier after the terminations date of your health benefit plan. We will continue to provide health insurance coverage according to your health plan between now and the date your health plan terminates. Claims filed for services incurred prior to the date your health plan terminates will be processed according to the terms of the health plan. Any claims incurred on or after the date your health plan terminates will not be covered by the health plan. An extension of benefits may be available to you if you are totally disabled at the time the health plan terminates, subject to the terms of the health plan.

Again, any supplemental-type insurance plans that you have in force with us (e.g., dental, vision, accident, hospital indemnity, etc.) will remain in effect unless you request that we cancel such coverage. Also, if you maintain membership in an association, please understand that the association is a separate entity from our Company. The termination of your health plan **will not** affect your association membership. If you have questions regarding your association membership, please contact the association.

<Recipient's Name>  
<Date>

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If you have any questions concerning this notification please contact our Customer Service Representatives at [xxx.xxx.xxxx]. Representatives are available to assist you from 8:00 a.m. to 5:00 p.m. Monday through Friday.

Sincerely,

/s/