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STATE OF MINNESOTA
COMMISSIONER OF COMMERCE

In the Matter of the Certificate of Authority
of MEGA Life and Health Insurance Company,
Chesapeake Life Insurance Company both Oklahoma
corporations and Mid West National Life Insurance
Company a Texas corporation, all Licensed to do
business in the State of Minnesota.

CONSENT ORDER

To: Michael Colliflower
Senior Vice President and General Counsel
HealthMarkets, Inc.
9151 Grapevine Hwy.
North Richland Hills, TX 76180

The Commissioner has advised MEGA Life and Health Insurance Company domiciled in Oklahoma (NAIC #97055), Chesapeake Life Insurance Company domiciled in Oklahoma (NAIC #61832), and Mid West National Life Insurance Company of Tennessee domiciled in Texas (NAIC #66087); collectively, "MEGA" that as a result of an examination by the Department of Commerce (Department), pursuant to Minn. Stat. § 60A.031 (2002), concerning MEGA's conduct as a corporation engaged in the business of insurance in Minnesota, the Commissioner is prepared to commence formal proceedings against MEGA.

The Department conducted a market conduct examination of MEGA that began February, 2005, and continuing to present, during which time the Department reviewed MEGA's operations from January 1, 2001, to April 15, 2005. The Commissioner alleges that acting directly and through its agents the company has engaged in the following violations of Minnesota insurance law:

1. Mega failed to develop and file with the Department a qualified plan in violation of Minn. Stat § 62E.04, subd. 3;

2. Mega failed to offer to each eligible applicant a qualified plan in violation of Minn. Stat § 62E.04, subd. 3;
3. Mega failed to annually offer to each eligible applicant a qualified plan in violation of Minn. Stat § 62E.04, subd. 4;
4. In certain instances, Mega failed to provide premium refunds on accident and sickness policies in a timely manner in violation of Minn. Stat § 72A.20, subd. 17(b);
5. Mega failed to have certain agents properly appointed in violation of Minn. Stat § 60K;
6. Mega failed to properly handle certain claims in violation of Minn. Stat § 72A.201;
7. Mega failed to provide notice to complainants of their right to submit their complaint to the Department and/or failed in certain instances to satisfy other procedural requirements relating to complaint handling in violation of Minn. Stat. §§ 62Q.68 — 62Q.73.

MEGA acknowledges that it has been advised of its right to a hearing in this matter, to present arguments to the Commissioner, and to appeal from any adverse determination after a hearing, and MEGA hereby expressly waives those rights. MEGA further acknowledges that it has been represented by legal counsel throughout these proceedings.

MEGA has agreed to an informal disposition of this matter without a hearing, pursuant to Minn. Stat. § 14.59 (2002) and Minn. R. 1400.5900 (2001). Neither this Order nor remedies contained herein nor any negotiations, statements, or documents in connection therewith shall be construed as an admission of liability or wrongdoing on the part of MEGA.

The following Order is in the public interest.

NOW, THEREFORE, IT IS HEREBY ORDERED, that MEGA shall within 60 days from the date of the execution of this Order:

- A. Revise its practices, and any similar or related practices, to ensure compliance with Minnesota law; and
- B. Develop training and written policies and procedures for its home office staff and its Minnesota agents, as appropriate, regarding applicable Minnesota requirements.

The above policies, procedures and other required actions shall be submitted to the Department for review within ten days after their completion. After the Department's review MEGA shall thereafter promptly implement the changes and provide the training required herein to its Minnesota agents and home office staff.

FURTHER, IT IS HEREBY ORDERED, that MEGA shall within 180 days from the date of the execution of this Order, arrange directly, or through another carrier, to comply with Minn. Stat. § 62E.04, subdivisions 3 and 4, by developing and filing with the Department a qualified plan, offering the qualified plan to each eligible applicant (i.e., the group policyholder), and offering the qualified plan at time of renewal on an annual basis.

FURTHERMORE, IT IS HEREBY ORDERED, pursuant to Minn. Stat. § 45.027, subd. 6 (2002), that MEGA Life and Health Insurance Company shall pay to the State of Minnesota a civil penalty in the amount of \$75,000; that Chesapeake Life Insurance Company shall pay to the State of Minnesota a civil penalty in the amount of \$25,000; and that Mid West National Life Insurance Company of Tennessee shall pay to the State of Minnesota a civil penalty in the amount of \$25,000

This Order shall be effective upon signature on behalf of the Commissioner.

Dated: 6/20/06

GLENN WILSON
Commissioner

By: _____

Patrick L. Nelson
PATRICK L. NELSON
Deputy Commissioner
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
Telephone: (651) 296-2594

CONSENT TO ENTRY OF ORDER

The undersigned officers, acting on behalf of the companies below, state the foregoing Consent Order has been read; the contents and effects are fully understood; that the undersigned companies neither admit nor deny the allegations contained therein; that the undersigned companies have authorized their respective officers to execute this Consent to Entry of Order on behalf of the companies; that the undersigned companies have been advised of their right to a hearing; that the undersigned companies have been represented by legal counsel; and that the undersigned companies consent to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

MEGA LIFE AND HEALTH INSURANCE COMPANY

By: Michael A. Colliflower
(print) Michael A. Colliflower
Its Sr. Vice President

CHESAPEAKE LIFE INSURANCE COMPANY

By: Michael A. Colliflower
(print) Michael A. Colliflower
Its Sr. Vice President

MID WEST NATIONAL LIFE
INSURANCE COMPANY OF
TENNESSEE

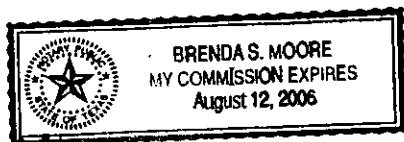
By: Michael A. Colliflower
(print) Michael A. Colliflower
Its Sr. Vice President

STATE OF Texas)

) SS

COUNTY OF Tarrant)

This instrument was acknowledged before me on June 15, 2006 (date) by
Michael A. Colliflower (names of persons) as officers of Mega Life
and Health Insurance Company, Chesapeake Life Insurance Company, and Mid West National Life
Insurance Company of Tennessee, respectively.



Brenda S. Moore
(Signature of notary officer)
My commission expires: 8/12/2006