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FOR IMMEDIATE RELEASE

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Mississippi Part of Multi-State Insurance Regulators \$20 Million Fine Against HealthMarkets and Affiliated Companies

Jackson – Mississippi has received nearly \$400,000 as part of a multi-state settlement agreement with HealthMarkets, Inc., and its affiliated companies, MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company and Chesapeake Life Insurance Company. A total of forty-eight states, the District of Columbia, Guam and Puerto Rico are all part of the settlement which resulted in a \$20 million fine being levied against HealthMarkets, Inc. Mississippi's portion of the fine is \$376,145. This is in addition to the \$150,000 administrative penalty levied by the Mississippi Insurance Department (MID) against MEGA, Mid-West National, and Chesapeake Life Insurance Company in 2007.

The settlement follows a three-year multi-state exam that found multiple problems involving consumer disclosure, oversight and training of agents, claims handling and complaint-handling practices. HealthMarkets faces up to \$10 million in additional penalties if it fails to meet performance standards outlined in the settlement.

"All companies should get the message loud and clear, consumer protection is a very high priority for Mississippi," said Mike Chaney, Mississippi Insurance Commissioner. "Those who are granted a license to do business in this state will suffer the consequences if it is found they have violated that trust and the insurance laws of this state. Consumer protection is a priority for all states and this is an excellent example of states working together in the best interests of consumers."

According to the terms of the settlement, the companies must implement an outreach program to contact and inform policyholders. The companies must report progress twice a year through Dec. 31, 2009, on performance standards targeted for improvement.

The multi-state examination was initiated as a collaborative action under a single umbrella through the National Association of Insurance Commissioners because the companies were the targets of separate investigations and consumer lawsuits in several individual states. Although violations were documented and fines levied in individual state exams, the companies' actions and complaint histories had not significantly improved at the time the multi-state examination was initiated.

The examination covers a five-year period ending Dec. 31, 2005, and stemmed from the volume, scope and nature of complaints made against the companies by consumers in many states.

According to the findings, the companies targeted their sales to self-employed individuals and sold the health plans through associations. MEGA agents sold policies through the National Association for the Self-Employed (NASE), and Americans for Financial Security (AFS). Mid-West agents sold plans through the Alliance for Affordable Services (AAS). In many instances, the agent or the company did not adequately explain the benefits covered by the health plan.

The \$20 million penalty was divided among the participating jurisdictions based on the companies' premium volume. The company has brought in new staff and implemented new procedures that are expected to ensure compliance.

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