STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

In the Matter of **The MEGA Life and Health Insurance Company**	)	**STIPULATION** and
	)	**FINAL ORDER**
	)	Case No. INS 07-08-020

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against The MEGA Life and Health Insurance Company (MEGA).

MEGA desires to conclude this proceeding without a hearing by entering into this stipulation pursuant to ORS 183.415(5).

MEGA waives all rights relative to an administrative hearing and judicial review thereof.

MEGA stipulates to the following facts, conclusions, action, and to the issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

MEGA has been licensed in Oregon as a foreign insurer since 4/29/83. MEGA's last recorded principal business address is located in North Richland Hills, Texas.

Issued Group Health Insurance Policy to Unapproved Trust Fund

MEGA is subject to enforcement action pursuant to ORS 743.526(1) because of the following circumstances. ORS 743.526(1) prohibits an insurer from offering a group health insurance policy to the trustees of a fund established by two or more employers in the same or related industry, or by one or more labor unions, or by one or more employers and one or more labor unions, or by an association described in ORS 743.522(1)(c), that insures a person in this state unless the director determines that the trust satisfies the requirements of ORS 743.522 and ORS 743.526. Since an unknown date, MEGA issued a group health insurance policy to the United

Workers of America Local 629 Welfare Fund, a trust, established by the United Workers of America Local 629, a labor union. The policy insured 54 persons residing in Oregon. The trust was not approved by the director.

Failed to Provide List of Network Healthcare Providers to Insured

MEGA is subject to enforcement action pursuant to OAR 836-053-1030(9) because of the following circumstances. OAR 836-053-1030(9) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), that has a defined network of providers to include in the written list of network providers required by ORS 743.804(5)(L) all primary care providers and direct access providers who an insured may designate as the primary care provider or from whom an insured may obtain services without a referral. At all relevant times, MEGA had issued group health benefit plans insuring persons who resided in Oregon, such plans had a defined network of participating providers. From 1/1/98 to 3/22/06, MEGA did not provide a list of network providers directly or indirectly to insureds, although MEGA had initially informed insureds how to obtain information about network providers and maintained online a list of network providers.

Failed to Notify Insured About Potential Creditable Coverage

MEGA is subject to enforcement action pursuant to OAR 836-053-0230(8)(b) because of the following circumstances. OAR 836-053-0230(8)(b) requires a carrier, as defined in ORS 743.730(6), that issues a group health benefit plan, as defined in ORS 743.730(18) and OAR 836-053-0220, and denies a claim because of a preexisting condition provision, as defined in ORS 743.730(26), to include in the notice about the denied claim a notice about potential creditable coverage and a telephone number at the carrier that the insured may call for additional information about the denied claim. At all relevant times, MEGA was a carrier, MEGA had issued group health benefit plans insuring persons who resided in Oregon, and such plans contained preexisting condition provisions. From 1/1/98 to 3/27/06, MEGA denied 839 claims because of preexisting condition provisions but did not include in the claim denial notices notice about potential creditable coverage.

Refused to Pay Claim Without Conducting a Reasonable Investigation

MEGA is subject to enforcement action pursuant to ORS 746.230(1)(d) because of the following circumstances. ORS 746.230(1)(d) prohibits an insurer or other person from refusing to pay claims without conducting a reasonable investigation based on all available information. At all relevant times, MEGA had issued a particular group health insurance policy insuring five particular persons who resided in Oregon. The policy did not cover durable medical equipment except for a mastectomy-related prostheses. From 2001 to 2005, each insured had a mastectomy performed, was prescribed a prostheses, and filed a claim for the prostheses. The claims indicated, or contained sufficient information to allow MEGA to determine, that the claims were for a mastectomy-related prostheses. MEGA initially denied four of the claims because they were for durable medical equipment, and the fifth claim because the related mastectomy was performed before the effective date of the insured's coverage under the policy although the prostheses was prescribed and procured after the effective date of the coverage. MEGA failed to determine that the claims were for a mastectomy-related prostheses, or that the law required prostheses to be covered regardless of when the related mastectomy was performed. Subsequently, MEGA paid the claims.

Failed to Timely Pay Clean Health Claim

MEGA is subject to enforcement action pursuant to ORS 743.866(1) because of the following circumstances. ORS 743.866(1) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), and receives a clean claim, as defined in OAR 836-080-0080(1), from a provider, as defined in ORS 743.801(13), on behalf of a person insured under the plan, to pay or deny the claim within 30 days after receiving the claim. At all relevant times, MEGA had issued a group health benefit plan insuring a particular person who resided in Oregon. From 3/7/03 to 6/2/03, MEGA received six clean claims from providers on behalf of the insured. From 4/24/03 to 7/8/03, MEGA paid the claims more than 30 days after receiving them.

Failed to Notify Provider Additional Information Needed to Process Health Claim

MEGA is subject to enforcement action pursuant to ORS 743.866(1) because of the following circumstances. ORS 743.866(1) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), and receives a claim from a provider, as defined in ORS 743.801(13), on behalf of a person insured under the plan, and needs additional information to process the claim, to notify the insured *and* the provider in writing within 30 days after receiving the claim. At all relevant times, MEGA had issued a group health benefit plan insuring a particular person who resided in Oregon. From 4/1/03 to 4/18/03, MEGA received 16 claims from providers on behalf of the insured. On 4/24/03, MEGA notified the insured, but did not notify the providers, that MEGA needed the additional information to process the claims.

Failed to Timely Deny Health Claim After Receiving Additional Information

MEGA is subject to enforcement action pursuant to ORS 743.866(1) because of the following circumstances. ORS 743.866(1) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), receives a claim from a provider, as defined in ORS 743.801(13), on behalf of a person insured under the plan, needs additional information to process the claim, and receives the additional information, to pay or deny the claim within 30 days after receiving the additional information. At all relevant times, MEGA had issued a group health benefit plan insuring a particular person who resided in Oregon. On 4/18/03, MEGA received two claims from providers on behalf of the insured. On 4/24/03, MEGA notified the insured that additional information was needed. On 5/6/03, MEGA received the additional information. On 6/9/03, MEGA denied the claims more than 30 days after receiving the additional information.

Failed to Refer to Policy Provision in Notice of Claim Denial

MEGA is subject to enforcement action pursuant to OAR 836-080-0235(1) because of the following circumstances. OAR 836-080-0235(1) requires an insurer that denies a claim to notify the insured in writing of the claim denial and include a reference to the specific provision in the policy relied upon to deny the claim. At all

relevant times, MEGA had issued a particular group health insurance policy insuring persons who resided in Oregon. In 2004 and 2005, MEGA denied 131 claims for payment of or reimbursement for medical services provided to insureds because MEGA received written proofs of loss more than 12 but less than 15 months after the services were provided. Although MEGA timely sent to each insured a written notice informing the insured of the reason for denying the claim, the notice did not refer to the specific policy provision relied upon by MEGA to deny the claim.

Failed to Provide Information about Insurer's Grievance and Appeal Procedure,
Failed to Provide Information about DCBS' Complaint Line,
Failed to Acknowledge Grievance or Appeal,
Failed to Timely Acknowledge Grievance or Appeal, and
Failed to Timely Decide Grievance or Appeal

MEGA is subject to enforcement action pursuant to ORS 743.804(8)(a)-(b), and OAR 836-053-1100(1)(a)-(b), because of the following circumstances.
ORS 743.804(8)(a)-(b) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), and receives a grievance, as defined in ORS 743.801(5) and repeated in OAR 836-053-1060(2), from a person insured under the plan, to provide to the insured detailed information about the insurer's grievance and appeal procedures and how to use them, and information about how to access the complaint line of the Oregon Department of Consumer and Business Services (DCBS). OAR 836-053-1100(1)(a) requires an insurer that receives a grievance from an insured to acknowledge receipt of the grievance within seven days after receiving the grievance. OAR 836-053-1100(1)(b) requires an insurer that receives a grievance from an insured to make a decision about the grievance within 30 days after receiving the grievance. At all relevant times, MEGA had issued group health benefit plans insuring persons who resided in Oregon. From 1/5/04 to 8/23/05, MEGA received 104 grievances from insureds. MEGA did not provide the information about MEGA's procedures and access to DCBS' complaint line in 55 of the grievances, MEGA did not acknowledge 42 of the grievances, MEGA acknowledged 39 of the grievances but more than seven days after receiving the

grievances, and MEGA failed to make a decision about one grievance within 30 days after receiving the grievance.

Failed to Timely File Summary of Grievances and Appeals, and External Review

MEGA is subject to enforcement action pursuant to ORS 743.804(9) because of the following circumstances. ORS 743.804(9) requires an insurer that issues a health benefit plan, as defined in ORS 743.730(18), to provide to the director an annual summary of the insurer's aggregate data regarding grievances, appeals and applications for external review in a format prescribed by the director. The format prescribed by the director is a form entitled Grievance Annual Report, number 440-3241. The form is available on line at http://www.cbs.state.or.us/ins/insurer/financial_regulation/app_forms-numbr.html. OAR 836-053-1070 requires an insurer to include in the summary certain information about grievances closed in the preceding calendar year. OAR 836-053-1100(3) requires an insurer to file a summary by June 30 of each year for the preceding calendar year. At all relevant times, MEGA had issued a group health benefit plan insuring persons who resided in Oregon.

MEGA was required to file its summary for 2003 by 6/30/04. On or about 6/30/04, MEGA filed a summary for 2003. However, the summary was not correct. The summary indicated that MEGA closed only five grievances in 2003. The Insurance Division received information from other sources indicating that MEGA closed more grievances. On 12/29/05, the Insurance Division requested MEGA to explain the discrepancy. On 6/27/06, MEGA filed a corrected summary for 2003. The corrected summary indicated that MEGA closed 52 grievances. Thus, MEGA filed its correct summary for 2003, two years late.

MEGA was required to file its summary for 2004 by 6/30/05. On or about 6/30/05, MEGA filed a summary for 2004. However, the summary was not correct. The summary indicated that MEGA closed only 33 grievances in 2004. The Insurance Division received information from other sources indicating that MEGA closed more grievances. On 12/29/05, the Insurance Division requested MEGA to explain the discrepancy. On 6/27/06, MEGA filed a corrected summary for 2004.

The corrected summary indicated that MEGA closed 49 grievances. Thus, MEGA filed its correct summary for 2004, one year late.

Failed to Timely Acknowledge or Pay Claim

MEGA is subject to enforcement action pursuant to OAR 836-080-0225(1) because of the following circumstances. ORS 836-080-0225(1) requires an insurer to acknowledge or pay a claim within 30 days after the insurer receives the claim. At all relevant times, MEGA had issued group health insurance policies insuring persons who resided in Oregon, and authorized AmeriBen Solutions, Inc. dba AmeriBen/IEC Group (AmeriBen) to process claims from insureds for benefits under such policies. From 8/1/04 to 12/20/05, AmeriBen acknowledged or paid 3,169 claims more than 30 days after AmeriBen received the claims.

Failed to Acknowledge and Act Promptly Upon Communication About Claim

MEGA is subject to enforcement action pursuant to ORS 746.230(1)(b) because of the following circumstances. ORS 746.230(1)(b) prohibits an insurer or other person from failing to acknowledge and act promptly upon communications relating to claims. At all relevant times, MEGA had issued a particular group health insurance policy insuring a particular person who resided in Oregon. On 3/19/04, the insured received certain medical services in a hospital. The services were covered under the policy. On an unknown date, MEGA received from a doctor who provided some of the services a claim that indicated the services were provided in the doctor's office. MEGA denied the claim because the insured's maximum outpatient benefits had been paid. On 10/12/04, MEGA received from the doctor a revised claim indicating that the services had been provided in the hospital. MEGA denied the revised claim because either MEGA considered the claim a duplicate claim, which was not correct; or the policy did not provide outpatient and inpatient benefits for the same service on the same date, and MEGA had not yet received from the hospital a revised claim indicating that the services had been provided in the hospital. On 1/3/05, MEGA received from the hospital a revised claim indicating that the services had been provided in the hospital. On 3/4/05, 60 days later, MEGA paid the doctor's revised claim.

Terminated Agents Without Sufficient Notice

MEGA is subject to enforcement action pursuant to ORS 744.081(1) because of the following circumstances. ORS 744.081(1) requires an insurer that terminates an insurance producer who is authorized to represent the insurer in Oregon to "give written notice of the termination and the date thereof to the insurance producer at least 90 days prior to the effective date of the termination" and "must specify the reasons for the termination." From 1/1/05 to 5/5/06, MEGA terminated 114 insurance producers who were authorized to represent MEGA in Oregon without giving at least 90 days written notice or without specifying the reason or both.

Failed to Provide Explanation of Portability Coverage

MEGA is subject to enforcement action pursuant to OAR 836-053-0750(1) because of the following circumstances. OAR 836-053-0750(1) requires an insurer that offers group health benefit plans, as defined in ORS 743.730(18), to (1) include an explanation of portability coverage in all plans that are issued to group policyholders in Oregon and in every summary plan description that is issued in connection with such plans; and (2) provide an explanation of portability coverage directly to an individual losing group coverage, for any reason other than group replacement of coverage, within 10 days following the date of any administrative action taken by a carrier to initiate or document the loss of coverage. At all relevant times, MEGA had issued group health benefit plans insuring persons who resided in Oregon. From 1/1/05 to 9/7/06, MEGA failed to provide an explanation of portability coverage directly to 4,052 individuals losing group coverage for reasons other than group replacement of coverage.

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Action

Pursuant to ORS 731.988, MEGA is assessed a civil penalty of $50,000. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at the Labor and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment shall be *received* by the Insurance Division by the date of the final order.

Dated August 27, 2007

/s/ Michael A. Colliflower
[Signature of Representative]
Michael A. Colliflower
[Printed Name of Representative]
General Counsel
[Printed Title of Representative]
The MEGA Life and Health Insurance Company

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated October 11, 2007

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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