

**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 11-03-001

**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 183.417(3).

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 Oregon Insurance Division company number is 2486, NAIC entity number is 97055, and federal employer identification number (FEIN) is 59-2213662. MEGA's last recorded principal place of business address is 9151 Boulevard 26, North Richland Hills, TX 76180-5605; and telephone number is 817-255-3100..

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 issued a group health insurance policy to the National Association For The Self-Employed (NASE). The policy insured persons who were members of NASE and resided in Oregon. The policy excluded benefits for “any routine physical examination or any other expenses that are not for the treatment of a specific injury or sickness.” However, the policy provided to benefits for women’s Pap smear and

breast examinations as required by ORS 743A.104 and ORS 743A.108 respectively. From 10/1/06 to 10/1/09, MEGA received 97 claims for Pap smears and 780 claims for breast examinations of women who resided in Oregon and were insured under the policy. MEGA denied the 877 claims because they were excluded under the routine physical examination exclusion provision of the policy. However, MEGA failed to initially determine that the claims were payable under the Pap smear and breast examination benefit provisions of the policy. Subsequently, MEGA took remedial action by reimbursing or otherwise compensating claimants whose claims were denied improperly.

**Action**

Pursuant to ORS 731.988(1), MEGA is assessed a civil penalty of \$40,000. 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 or mailed to the Insurance Division at the Labor and Industries Building, 350 Winter Street NE Room 300, Salem, Oregon 97301-3880; 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 May 10, 2011

/s/ Susan E. Dew

[Signature of Representative]

Susan E. Dew

[Printed Name of Representative]

Senior Vice President, Deputy General Counsel & Chief Compliance Officer

[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 May 24, 2011

/s/ Scott L. Harra

Scott L. Harra

Acting Director

Department of Consumer and Business Services

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