

**The MEGA Life and Health Insurance Company – Rhode Island Settlement  
Frequently Asked Questions (FAQs)  
October 2011**

Q: Why did the State of Rhode Island and The MEGA Life and Health Insurance Company ("MEGA") agree to this settlement?

A: The Rhode Island Office of the Health Insurance Commissioner ("OHIC") conducted a Market Conduct Examination of MEGA to determine MEGA's compliance with the Rhode Island Small Employer Health Insurance Availability Act. The Market Conduct Examination Report found that MEGA had engaged in health insurance underwriting practices in violation of the Rhode Island Small Employer Health Insurance Availability Act (R. I. Gen. Laws 27-50-1 et seq.), including the following:

1. Improper use of medical underwriting; for example, declining coverage to employees who did not meet MEGA's health underwriting standards. Rhode Island law requires that all products be available to all small employers and their employees.
2. Improper rating practices; for example, charging small employers premiums higher than the 4:1 ratio required by Rhode Island law.
3. Imposition of membership fees in excess of the amounts permitted by Rhode Island law.
4. Failure to offer coverage equally to all eligible small employers.

Based on the findings of the Market Conduct Examination Report, OHIC and MEGA agreed to a settlement which directed MEGA to correct the violations, and to provide restitution to Rhode Island small businesses:

- MEGA will make restitution to Rhode Island small businesses for excessive premiums paid from October 1, 2004, for health care claims improperly denied by MEGA since October 1, 2004, and for excessive subscriber fees. An estimated 5,500 Rhode Island small businesses will be involved in the restitution programs, with an estimated aggregate restitution amount of \$2.3 million.
- MEGA will non-renew its existing R.I. health plans with 90 days advance Notice, and will suspend the conduct of its health insurance business in Rhode Island for three (3) years.
- MEGA will pay to the State of Rhode Island a penalty of \$225,000.

Q: Are other companies related to MEGA involved in this settlement?

A: MEGA's sister company, Mid-West National Life Insurance Company of Tennessee ("Mid-West National"), also sold health insurance in Rhode Island and is included in the settlement. Both companies sold health insurance primarily to self-employed individuals in Rhode Island.

Q: How many insureds are affected by this settlement?

A: Approximately 5,500 insureds will receive some portion of the estimated total restitution amount of \$2.3 million under this settlement. The restitution for all insureds is approximately \$1.3 million for premiums, \$850,000 for excessive association fees, and \$70,000 for claims that should have been paid.

Q: I receive my insurance through MEGA or Mid-West National now: how am I affected by this settlement?

A: If you are entitled to restitution under this settlement, you will be mailed the restitution amount from MEGA or Mid-West National by the following dates: (a) no later than May 1, 2012 for premium restitution; (b) no later than January 11, 2012 for claims restitution; and (c) no later than May 1, 2012 for association fee restitution. Because MEGA's permission to do business in Rhode Island has been suspended for three (3) years, you will also receive from MEGA or Mid-West National a Notice of Non-Renewal (i.e. "termination") in November, 2011, with a reminder notice in December 2011. All current MEGA and Mid-West National policies will be non-renewed ("terminated") during the month of February on the certificate-holder's monthly due date for premium payment that occurs during February.

Q: I receive my insurance through MEGA or Mid-West National now: how will I transfer coverage?

A: There are three (3) health insurance companies licensed to issue health insurance policies in the Rhode Island small employer market. Contact information to enroll in a health insurance policy issued by one of these companies can be found at [http://www.ohic.ri.gov/Employers\\_Options.php](http://www.ohic.ri.gov/Employers_Options.php)

Q: I received my insurance through MEGA or Mid-West National in the past: how am I affected by this settlement?

A: If you are entitled to restitution under this settlement, you will be mailed the restitution amount from MEGA or Mid-West National by the following dates: (a) no later than May 1, 2012 for premium restitution; (b) no later than January 11, 2012 for claims restitution; and (c) no later than May 1, 2012 for association fee restitution.

Q: How are restitution amounts determined?

A: Restitution amounts are based on standards and procedures agreed to, and required to be used by MEGA by Order of the Commissioner of OHIC.

Q: Where should I go for more information?

A: The Market Conduct Examination Report and Commissioner's Order can be found at OHIC's website: <http://www.ohic.ri.gov/2011%20Mega%20Settlement.php>

For more information you may contact:

Customer Service Representatives:

The MEGA Life and Health Insurance Company or  
Mid-West National Life Insurance Company of Tennessee  
1-866-319-2485

or

The Rhode Island Office of the Health Insurance Commissioner  
1511 Pontiac Ave, Building #69 first floor  
Cranston, RI 02920  
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