
Posted on Sun, Dec. 10, 2006

Insurance pitch misses the mark

One company tops the list of complaints alleging insurance misrepresentation.

By MIKE CASEY
The Kansas City Star

Pricie and Hershel Kelley believed the insurance agent's pitch: They'd be getting health coverage just as good as their current plan. Maybe they'd pay a little more for prescriptions.

Then Pricie Kelley of Worthington, Ohio, said she checked on prescription coverage and found it paid only a small fraction of a \$332 bill.

"It didn't give us anything," she said. "All it did was cause a lot of headaches."

The couple complained last year to the Ohio Department of Insurance that the Mega Life and Health Insurance Co. agent misrepresented the sale.

Scores of other complaints alleging misrepresentation have been filed against Mega. Of all the insurance companies examined in *The Kansas City Star's* database analysis, Mega had the most complaints for misrepresentation — 236 — from 2003 through 2005.

Misrepresentation was the second-most-common complaint that consumers filed over the selling and marketing of insurance. In selling insurance, truthfulness is crucial since many consumers rely on their agent's and insurer's promises.

In the Kelleys' case, Ohio regulators determined that the agent sold the couple insurance that left them "in worse condition" and found that the agent, Kelly Routt, misrepresented the policy. To settle the matter, Routt recently agreed to pay a \$2,600 fine and \$400 in administrative expenses. She did not respond to a letter requesting an interview.

Mega, based in North Richland Hills, Texas, apologized for the problem, required Routt to undergo additional training and refunded the Kelleys' premiums and other costs of about \$2,000.

Questions about Mega also have prompted state regulators to launch a multistate customer service audit to evaluate its sales practices, claims payments and other issues. The company is cooperating.

UICI, Mega's parent company, was acquired by private equity firms this year, and the parent company's name became HealthMarkets. HealthMarkets said it shouldn't be judged by Mega's past performance.

"HealthMarkets has made extensive and vital changes to its processes and practices," the company said in a statement, citing improvements in training agents, explaining policy details and handling consumer complaints. "We strive for superior customer care and satisfaction."

Complaints over misrepresentation and overall complaints against the company declined from 2003 through 2005, *The Star's* analysis found.

A settlement last year in a lawsuit against Mega, however, illustrates how some policyholders felt they were misled.

Doug and Dana Christensen of Playa Del Rey, Calif., told a Mega agent in 2001 that they wanted good medical coverage. Doug Christensen was a cancer survivor and might need chemotherapy if he suffered a recurrence, according to court records.

Within months, Doug Christensen's cancer painfully returned. His wife can't forget what she was told when she called the hospital after several months of treatments.

"I'm sorry, you're not allowed through these doors because your insurance is capped out," Dana Christensen recalled. "I took him to another hospital's emergency room. It was a nightmare."

Doug Christensen died in 2002, and Dana Christensen was left with about \$450,000 in unpaid medical bills. Mega's plan covered less than 20 percent of her husband's care, according to court records in her lawsuit.

Mega's chemotherapy coverage provided a maximum daily benefit of \$1,000 — far less than what such treatments typically cost — and paid less than 10 percent of \$325,000 in those expenses, said Tony Stuart, Christensen's lawyer.

"If this policy was honestly presented to people, no one would buy it," he said.

What's more, a former Mega agent in a sworn affidavit submitted in the Christensen lawsuit said that he was trained to misrepresent the coverage. James Helton, who did not sell the Christensens their policy, stated he told other customers that the plan's maximum benefit provided more than enough coverage, but he later learned otherwise.

"To say it is not adequate is an understatement," Helton told *The Star*.

Dana Christensen settled the case for \$1.7 million.

HealthMarkets said Mega's former parent company settled so Christensen could pay the medical bills, but did not admit any wrongdoing.

"The company firmly believes our sales agent ... properly disclosed what our policy covered, what it did not cover and how much coverage it offered," HealthMarkets officials said.