

**IN THE MATTER OF
THE MARKET CONDUCT EXAMINATION OF
THE MEGA LIFE AND HEALTH INSURANCE COMPANY,
MID-WEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE, AND
THE CHESAPEAKE LIFE INSURANCE COMPANY**

AGREEMENT COMPLETING AND CLOSING MULTISTATE EXAMINATION

A. Parties

This Regulatory Settlement Agreement Completing and Closing the MultiState Examination of the above-referenced companies (“Closing Agreement”) is entered into as of the Effective Date (defined below), by and among the above named Insurance Companies and the Monitoring Regulators.

A.1. “The Companies” consist of the following three companies:

- The MEGA Life and Health Insurance Company (“MEGA”),
- Mid-West National Life Insurance Company of Tennessee (“Mid-West”),
and
- The Chesapeake Life Insurance Company (“Chesapeake”).

A.2. The “Monitoring Regulators” were designated as such and charged with monitoring the Companies’ compliance with the Regulatory Settlement Agreement between the parties, pursuant to Section G.2 of that Agreement, and comprises:

- Director of the Alaska Division of Insurance, and
- Insurance Commissioner of Washington State; and
- Insurance Commissioner of the State of Oklahoma, and
- Commissioner of Insurance of the State of Texas; and
- The California Department of Insurance.

A.3. This Closing Agreement involves, as third party beneficiaries, the “Participating Regulators”, which are made up of the insurance regulators of each of the jurisdictions that signed on to the Regulatory Settlement Agreement as Participating Regulators.

B. Scope of Agreement

B.1. The scope of this Closing Agreement is the findings contained in the Multi-State Market Conduct Examination of The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, and The Chesapeake Life Insurance Company for the examination period July 1, 2009 – December 31, 2010 (“the Second Examination Report” or the “Second Report”), and the application of Regulatory Settlement Agreement between the Parties to those findings.

B.2. The Second Examination Report is attached as Attachment A, and is incorporated into this Agreement by reference as though fully set forth here. The Regulatory Settlement Agreement is attached hereto as Attachment B, and is incorporated by reference as though fully set forth here.

C. Effective Date

The Effective Date of this Closing Agreement shall be the latest date on which this Closing Agreement has been executed by each of the Companies and all five Monitoring Regulators.

D. Recitals and Background

D.1. MEGA is and has been a licensed insurance company domiciled in the State of Oklahoma.

D.2. Mid-West is a licensed insurance company domiciled in the State of Texas. Mid-West was formerly domiciled in the State of Tennessee.

D.3. Chesapeake is and has been a licensed insurance company domiciled in the State of Oklahoma.

D.4. MEGA and Mid-West are subsidiaries of HealthMarkets, Inc. (“HealthMarkets”) (formerly known as UICI), a Delaware corporation, with its principal place of business in North Richland Hills, Texas. Chesapeake is a subsidiary of MEGA. MEGA, Mid-West, and Chesapeake are each bound by any continuing conditions imposed upon them, regardless of their subsidiary status.

D.5. On December 16, 2010, the States of Washington and Alaska issued a call letter to the Companies for a follow-up multi-state examination, pursuant to Section G.4 of the Regulatory Settlement Agreement.

D. 6. The examination was performed by an examination contracting firm, RSM McGladrey, Inc. under the direction of Examiner in Charge Jeffrey Moser of the Washington State Office of the Insurance Commissioner.

D.7. The examination findings are set forth in the Second Examination Report, which was adopted as final on April 16, 2012.

D.8. For purposes of this Closing Agreement, “Signatory Regulator” and “Signatory Regulators” refers to the group comprised of the Monitoring Regulators and the Participating Regulators.

E. Monetary Penalty

E.1. The Companies agree that they are responsible, jointly and severally, to pay a monetary penalty in settlement with each Signatory Regulator of the re-examination findings as described in the Second Examination Report. This is the “Penalty for Failure to Perform” set forth and agreed to by the Parties at Sections E.2, G.1, G.9, and Attachment E of the Regulatory Settlement Agreement. Those Sections set forth the total potential amount of the penalty. Pursuant to Section E.2. of the Regulatory Settlement Agreement, the Monitoring Regulators have agreed that the amount assessed under those sections as a result of the findings in the Second Examination Report is \$325,000. This amount is payable within 10 business days of the Effective Date of this Agreement, and the pro rata state allocation is to be calculated as defined in Attachment E of the Regulatory Settlement Agreement.

E.2. Under the Regulatory Settlement Agreement, this Penalty for Failure to Perform is the sole and exclusive remedy provided to the Participating Regulators with regard to non-compliance with the Standards for Performance Measurement, as shown by the results of the Second Examination Report.

F. Other Provisions

F.1. By entering into this Closing Agreement, the Monitoring Regulators and Companies intend to resolve all the findings in the Second Examination Report, including any violations of laws and regulations. The Companies desire to enter into this Closing Agreement in order to resolve this matter without further administrative or regulatory proceedings. By the execution, delivery of this Closing Agreement (and except as necessary to enforce the terms hereof), and payment of the Monetary Penalty set forth in

Section E.1, the Parties hereby conclude and close all proceedings related to the MultiState Market Conduct Examination of the HealthMarkets, Inc. Insurance Companies for the period January 1, 2000 – December 31, 2005. Each Signatory Regulator does hereby release and forever discharge the Companies and all officers, directors, agents and representatives of and from all civil or administrative causes, actions, claims, damages, fines, sanctions, losses, demands, or other liability that the Signatory Regulators could pursue or seek for matters set forth in the Regulatory Settlement Agreement or the Scope of Examination set forth on page 12 of the Second Examination Report, and the findings contained in the Second Examination Report.

F.2. When an issue regarding interpretation of this Closing Agreement applies to more than one jurisdiction, the Signatory Regulators and the Companies agree that Washington law shall govern. When an issue regarding this Closing Agreement is specific to one jurisdiction, the Signatory Regulators and the Companies agree that the particular substantive law of that jurisdiction will be used to interpret, apply and enforce any provision of this Closing Agreement in that jurisdiction. In such case(s), the appropriate forum is in the courts or before the regulatory agency of that particular jurisdiction. Nothing in this Agreement enlarges, diminishes, supersedes or preempts the insurance laws and regulations of any Signatory Regulator's jurisdiction.

F.3. Nothing in this Closing Agreement confers any rights upon any persons or entities other than the Parties and the Signatory Regulators. Further, the Parties do not intend for this Closing Agreement to have collateral estoppel or res judicata effect in any legal proceeding against the Companies.

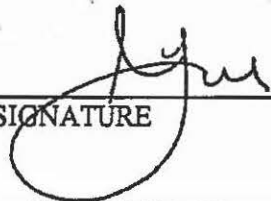
F.4. The Companies may not seek or accept, directly or indirectly, indemnification under any insurance policy for any amounts payable under this Closing Agreement.

F.5. This Closing Agreement (including Attachments) sets forth the entire agreement among the Parties with respect to its subject matter and supersedes all prior agreements, arrangements or understandings (whether in written or oral form) between the Companies and the Signatory Regulators.

F.6. Nothing in this Agreement limits the authority of the Signatory Regulators to conduct any regulatory functions, including dealing with specific instances of consumer complaints, licensing changes, or rate and form filings.

F.7. This Agreement may be signed in multiple counterparts. Each will constitute a duplicate original, but taken together, they will constitute one and the same instrument.

THE MEGA LIFE AND HEALTH INSURANCE COMPANY

BY: 
SIGNATURE

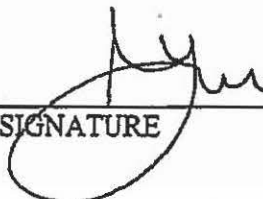
DATE 5/24/2012

ITS: President and Chief Executive Officer
PRINTED TITLE

I, Kenneth J. Fasola, hereby affirm that I am the President and Chief Executive Officer
PRINTED NAME PRINTED TITLE

of The MEGA Life and Health Insurance Company and have the authority to execute this
Closing Agreement on behalf of that company.

MID-WEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE

BY:  DATE 5/24/2012
SIGNATURE

ITS: President and Chief Executive Officer
PRINTED TITLE

I, Kenneth J. Fasola, hereby affirm that I am the President and Chief Executive Officer
PRINTED NAME PRINTED TITLE

of Mid-West National Life Insurance Company of Tennessee and have the authority to
execute this Closing Agreement on behalf of that company.

THE CHESAPEAKE LIFE INSURANCE COMPANY

BY:  DATE 5/24/2012
SIGNATURE

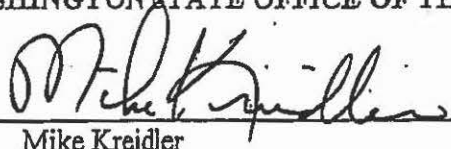
ITS: President and Chief Executive Officer
PRINTED TITLE

I, Kenneth J. Fasola, hereby affirm that I am the President and Chief Executive Officer
PRINTED NAME PRINTED TITLE

of The Chesapeake Life Insurance Company and have the authority to execute this
Closing Agreement on behalf of that company.

WASHINGTON STATE OFFICE OF THE INSURANCE COMMISSIONER

BY:



Mike Kreidler
Insurance Commissioner of Washington State

DATE

6-6-2012

ALASKA DIVISION OF INSURANCE

BY:

Linda S. Hall
Director, Alaska Division of Insurance

DATE

OKLAHOMA INSURANCE DEPARTMENT

BY:

John D. Doak
Insurance Commissioner of the State of Oklahoma

DATE

TEXAS DEPARTMENT OF INSURANCE

BY:

Eleanor Kitzman
Commissioner of Insurance of the State of Texas

DATE

THE CALIFORNIA DEPARTMENT OF INSURANCE

BY:

Dave Jones
Insurance Commissioner of the State of California

DATE

WASHINGTON STATE OFFICE OF THE INSURANCE COMMISSIONER

BY: _____ DATE _____
Mike Kreidler
Insurance Commissioner of Washington State

ALASKA DIVISION OF INSURANCE

BY: Linda S. Hall DATE 5-24-12
Linda S. Hall
Director, Alaska Division of Insurance

OKLAHOMA INSURANCE DEPARTMENT

BY: _____ DATE _____
John D. Doak
Insurance Commissioner of the State of Oklahoma

TEXAS DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Eleanor Kitzman
Commissioner of Insurance of the State of Texas

THE CALIFORNIA DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Dave Jones
Insurance Commissioner of the State of California

WASHINGTON STATE OFFICE OF THE INSURANCE COMMISSIONER

BY: _____ DATE _____
Mike Kreidler
Insurance Commissioner of Washington State

ALASKA DIVISION OF INSURANCE

BY: _____ DATE _____
Linda S. Hall
Director, Alaska Division of Insurance

OKLAHOMA INSURANCE DEPARTMENT

BY: John D. Doak DATE May 12, 2012
John D. Doak
Insurance Commissioner of the State of Oklahoma

TEXAS DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Eleanor Kitzman
Commissioner of Insurance of the State of Texas

THE CALIFORNIA DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Dave Jones
Insurance Commissioner of the State of California

AGREEMENT COMPLETING AND CLOSING MULTISTATE EXAMINATION OF
THE MEGA LIFE AND HEALTH INSURANCE COMPANY,
MID-WEST NATIONAL LIFE INSURANCE COMPANY OF TENNESSEE, AND
THE CHESAPEAKE LIFE INSURANCE COMPANY

12-0584

WASHINGTON STATE OFFICE OF THE INSURANCE COMMISSIONER

BY: _____ DATE _____
Mike Kreidler
Insurance Commissioner of Washington State

ALASKA DIVISION OF INSURANCE

BY: _____ DATE _____
Linda S. Hall
Director, Alaska Division of Insurance

OKLAHOMA INSURANCE DEPARTMENT

BY: _____ DATE _____
John D. Doak
Insurance Commissioner of the State of Oklahoma

TEXAS DEPARTMENT OF INSURANCE

BY: Eleanor Kitzman DATE 6/25/12
Eleanor Kitzman
Commissioner of Insurance of the State of Texas

THE CALIFORNIA DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Dave Jones
Insurance Commissioner of the State of California

WASHINGTON STATE OFFICE OF THE INSURANCE COMMISSIONER

BY: _____ DATE _____
Mike Kreidler
Insurance Commissioner of Washington State

ALASKA DIVISION OF INSURANCE

BY: _____ DATE _____
Linda S. Hall
Director, Alaska Division of Insurance


OKLAHOMA INSURANCE DEPARTMENT

BY: _____ DATE _____
John D. Doak
Insurance Commissioner of the State of Oklahoma

TEXAS DEPARTMENT OF INSURANCE

BY: _____ DATE _____
Eleanor Kitzman
Commissioner of Insurance of the State of Texas

THE CALIFORNIA DEPARTMENT OF INSURANCE

BY:  DATE 5/15/12
Dave Jones
Insurance Commissioner of the State of California.