

BEFORE THE IOWA INSURANCE COMMISSIONER

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IN THE MATTER OF	)	
	)	Division Case No. 102541
	)	
CHAD A. WARE,	)	<b>ORDER AND CONSENT</b>
NPN 8600114,	)	<b>TO ORDER</b>
DOB 04/02/XXXX,	)	
	)	
Respondent.	)	

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NOW THEREFORE, upon motion of the Iowa Insurance Division (“Division”) and by the consent of Respondent Chad A. Ware, pursuant to the provisions of Iowa Code chapter 507B—Insurance Trade Practices and Iowa Code chapter 522B—Licensing of Insurance Producers, the Commissioner enters the following Order and Consent to Order (“Consent Order”):

**I. PARTIES AND JURISDICTION**

1. The Commissioner of Insurance, Douglas M. Ommen, directly and through his designees, administers and enforces Iowa Code chapter 507B—Insurance Trade Practices and Iowa Code chapter 522B—Licensing of Insurance Producers pursuant to Iowa Code § 505.8.
2. Chad A. Ware (“Ware”) is an individual with a last-known residence address of 2701 11<sup>th</sup> St. Ct., Moline, IL 61265.
3. Ware is and has been licensed in the state of Iowa as a nonresident insurance producer since September 27, 2005. He is licensed under National Producer Number 8600114.
4. Pursuant to Iowa Code § 505.28, Ware has consented to the jurisdiction of the Commissioner of Insurance by committing acts governed by chapters 507B and 522B.
5. From on or about January 2015 to January 2019, Ware has engaged in acts and practices within the state of Iowa constituting cause for probation, suspension, or revocation of his

insurance producer license; cease and desist orders; and civil penalties or other relief under Iowa Code chapters 505, 507B, 522B, and rules adopted pursuant to these chapters.

## **II. FINDINGS OF FACT**

6. Ware applied for a resident insurance producer license with the Division by submitting through the National Insurance Producer Registry a Uniform Application for Individual Producer License (“Uniform Application”). In submitting the Uniform Application, Ware designated the Commissioner as an agent for service of process.

7. The Division issued Ware a license as a nonresident insurance producer on September 27, 2005 and assigned to him National Producer Number 8600114.

8. Ware has worked as an independent contractor for HealthMarkets Insurance Agency (“HealthMarkets”) since becoming licensed in 2005.

### **Consumer Mrs. JT**

9. At all times relevant hereto, Mrs. JT was a resident of Iowa.

10. In 2015, Ware assisted Mrs. JT in obtaining individual health insurance.

11. On or about January 15, 2015, Ware completed and submitted an application, on Mrs. JT’s behalf, for health insurance through the Federally Facilitated Marketplace (“FFM”).

12. In this application, Ware marked Mrs. JT’s marital status as “unmarried.”

13. However, Mrs. JT’s actual marital status was “married” and Ware knew this when he completed and submitted the application.

14. Mrs. JT was issued a health policy by Coventry Health Care of Iowa, Inc. (“Coventry”) effective date of February 1, 2015. As a result of an acquisition, Mrs. JT’s Coventry policy migrated to Aetna Health of Iowa, Inc. (“Aetna”) in 2015.

15. Mrs. JT's marital status remained incorrect on her subsequent enrollment applications for an Aetna policy through the FFM.
16. Due to Aetna leaving the Affordable Care Act ("ACA") exchange in Iowa, Mrs. JT was enrolled in a Medica policy on or about October 27, 2017.
17. In this application, Mrs. JT's marital status continued to be misrepresented as "unmarried." This misrepresentation was never corrected for the two subsequent enrollment applications through the FFM.
18. Although Ware made changes to Mrs. JT's application in 2017 and 2018, he never corrected her marital status.
19. Despite knowing she actually was married, Ware admitted to a Division investigator that he marked Mrs. JT as unmarried on the insurance applications. Ware told the Division investigator that he did this because Mrs. JT filed her taxes as married, filing separately.
20. Mrs. JT and her husband have never filed taxes separately.
21. In addition to providing incorrect information regarding her marital status, Ware also provided incorrect income information on Mrs. JT's application.
22. On Mrs. JT's initial enrollment application submitted to through the FFM in 2015, Ware listed Mrs. JT's income as \$25,008. The same amount of income is listed on the 2016 and 2017 applications for reenrollment. Mrs. JT did not have an annual income of \$25,008 in 2015, 2016, or 2017 and she did not tell Ware that this was the amount of income she received.
23. On December 4, 2017, Ware modified Mrs. JT's application for reenrollment and updated the income amount to \$25,200. Mrs. JT did not have an annual income of \$25,200 in 2017 and Ware was never notified that her income increased by approximately \$200 prompting him to modify the application.

24. When Mrs. JT received letters from the FFM regarding income verification, she contacted Ware to ask if she needed to do anything. Ware told her that nothing needed to be done and to disregard the letter.

25. The FFM sent a letter dated February 27, 2018 to Mrs. JT stating that she was not eligible to enroll in a Marketplace plan until she submitted documents to verify her income.

26. On or about February 27, 2018, a typed letter, purportedly from Mrs. JT, was submitted to the FFM stating an income for the last several years of \$25,212 as compensation for “self-employed medical billing coding,” explaining that each year’s income is dependent on the amount of claims Mrs. JT codes and processes, and asking that the letter be used a verification of income because Mrs. JT does not receive paystubs.

27. Mrs. JT never submitted, authorized the submission of, or was aware that the February 27, 2018 letter had been submitted to the FFM in her name. Contrary to the letter, Mrs. JT is not, in fact, employed to code and process claims nor is her pay based on the amount of claims that are coded. Furthermore, Mrs. JT is paid for her work through direct deposit and she does receive a payment voucher or paystub for each deposit.

28. On that same day, Ware electronically modified Mrs. JT’s application to reflect an annual income of \$25,212. Mrs. JT did not have an annual income of \$25,212 and Ware was never notified that her income increased by approximately \$12 prompting him to modify the application.

29. On or about January 14, 2019 the following conversation between Mrs. JT and Ware took place via text message:

Mrs. JT: Got something in the mail on Saturday from health insurance Marketplace stating I still need to submit documents for my 2018 application?

Ware: Not sure why you received it because I checked both 2018 and 2019 plans and there is nothing that needs to be done. Just disregard it.

Mrs. JT: What about income? My income has been declining.

Ware: Nothing all is good.

30. Ware did not report, or instruct Mrs. JT to report, to the FFM the income changes that might have impacted her eligibility to receive a tax credit.

31. Individuals applying for individual health policies through the FFM may qualify for a tax credit. Eligibility and the amount of any tax credit is based upon the applicant's household size and income.

32. Healthcare.gov addresses the circumstance of married couples filing separate federal tax returns. The website states that married couples who file taxes separately are not eligible for a premium tax credit or other savings.

33. As a result of Ware's misrepresentations of Mrs. JT's marital status and income, Mrs. JT received an advance tax credit that reduced the amount of premium she owed.

34. Mrs. JT and her husband were informed in April of 2018, by their accountant, that there was an issue with Mrs. JT's health insurance and the couple's federal refund amount was reduced due to the excess advance premium tax credit of \$5,448.

35. Mrs. JT contacted Ware for an explanation and Ware insinuated that the accountant had made a mistake and did not know what he was talking about. Ware did not explain to Mrs. JT that premium tax credits are calculated based on income and household information and that an increase in income could reduce her tax return or cause her to owe tax. Ware did not instruct Mrs. JT to update the income amount listed on her FFM application nor did he himself make the necessary corrections.

36. For 2016-2018 tax years, Mrs. JT and her husband received a total of \$25,692 in excess advance premium tax credits which they were required to repay and which impacted their tax refund for each relevant year.

37. Ware received approximately \$836.00 in compensation as a result of submitting the initial FFM application and in connection with the subsequent reenrollments for Mrs. JT.

#### **Consumer Ms. MA**

38. At all times relevant hereto, Ms. MA was a resident of Iowa.

39. In February 2015, Ware sold Ms. MA a health insurance plan through the FFM.

40. Ware told Ms. MA that she needed to purchase supplemental health products in order to obtain a major medical plan through the FFM.

41. Ware described these products as “companion insurance,” “complimentary,” and “mandatory” if Ms. MA wished to obtain health insurance coverage through the FFM.

42. Ms. MA had no interest in obtaining supplemental health products, but Ware led Ms. MA to believe that the FFM health plan and the supplemental products were offered as a package and one could not be purchased without the other.

43. On February 28, 2015, Ware completed and submitted an application to the Chesapeake Life Insurance Company (“Chesapeake”) for three supplemental health products on behalf of Ms. MA.

44. Upon discovering that the supplemental health products were not mandatory, but optional, Ms. MA contacted Ware on multiple occasions to cancel the supplemental policies.

45. In response, Ware told Ms. MA that she needed the plans and was unable to cancel them.

46. On June 22, 2015, Ms. MA contacted Chesapeake to file a verbal complaint against Ware and to request the cancellation of the supplemental policies.

47. Ware received \$80.53 in compensation as a result of submitting the Chesapeake application for Ms. MA. \$53.69 of that amount was charged back by Chesapeake.

**Consumer Ms. T**

48. At all times relevant hereto, Ms. T was a resident of Iowa.

49. In March 2017, Ware sold Ms. T a disability income insurance policy over the telephone.

50. On March 2, 2017, Ware completed and submitted an application to Chesapeake on Ms. T's behalf.

51. During the sales call, Ms. T informed Ware that she had a hip replacement the year prior and asked Ware if that would affect her ability to obtain a disability policy. Ware told Ms. T that her prior hip replacement would not present an issue to obtaining coverage.

52. Question 16 of section 11 of the application asks: "In the last 5 years has an Applicant been hospitalized or had surgery for spine, neck or back, or surgical joint repair or replacement?"

53. In response to question 16, Ware responded "No."

54. Approximately a year and half after obtaining the policy, Ms. T was required to have surgery on her other hip.

55. Prior to undergoing surgery, Ms. T contacted Ware and asked if she would have difficulty filing a claim for short-term disability.

56. Ware advised Ms. T that there would be no issue in filing a claim as the upcoming surgery had nothing to do with her past surgery on her other hip.

57. Chesapeake denied the claim as a pre-existing condition.

58. Ware told Ms. T to keep filing a claim and they would eventually pay it.

59. Ms. T was not aware that Ware had provided a false response to question 16 on her application until after Chesapeake denied her claim.

60. Ms. T filed a complaint with Chesapeake and Chesapeake refunded Ms. T the premiums she paid stating that the company never would have insured her if they had known of her prior hip replacement.

61. Ware received approximately \$649 in compensation as a result of submitting the Chesapeake application for Ms. T. Chesapeake charged back this full amount.

#### **Statements to the Division**

62. In an interview with a Division investigator on May 29, 2019, Ware admitted the following:

a. He knew Mrs. JT was married when he assisted her in applying for health insurance through the FFM;

b. He marked Mrs. JT as unmarried because he believed that she and her husband filed taxes separately; and

c. He told Mrs. JT to disregard the income verification letters from the FFM, despite Mrs. JT telling him that her income was declining, because the income amount supplied in the first enrollment application in 2015 was good for five years.

63. In a second interview with a Division investigator on September 4, 2019, Ware admitted that he discussed hip surgeries with Mrs. T during the sales process.

64. Initially, Ware denied having any communication with Mrs. JT regarding her income. However, when confronted with a document containing the text messages sent between Ware and Mrs. JT on or about January 14, 2019, Ware admitted that he did communicate with her.

65. During this interview, Ware stated that he receives three to five telephone calls from his clients each year informing him that they had to pay the IRS as a result of incorrect income provided to the FFM. Ware explained that he would advise these clients that changes to the



income amount provided to FFM would need to be made if the clients expected to receive a different income amount the following year.

### **III. CONCLUSIONS OF LAW**

#### **COUNT ONE**

#### **Unfair or Deceptive Acts or Practices and Misrepresentations On or Related to Insurance Applications**

66. Under Iowa Code § 507B.3 a person is prohibited from engaging in “any trade practice which is defined in this chapter as, or determined pursuant to section 507B.6 to be, an unfair method of competition, or an unfair or deceptive act or practice in the business of insurance.”

67. Under Iowa Code § 507B.4(3)(n) a person is prohibited from “[m]aking false or fraudulent statements or representations on or relative to an application for an insurance policy, for the purpose of obtaining a fee, commission, money, or other benefit from any insurer, agent, broker, or individual.”

68. Ware made a false or fraudulent statement when he indicated on the application he completed and submitted to the FFM on behalf of Mrs. JT that Mrs. JT was unmarried despite knowing that she was married.

69. Ware failed to correct Mrs. JT’s marital status on any of the subsequent reenrollment applications for years 2016 through 2019 despite updating the applications with other changes.

70. Ware provided incorrect amounts for Mrs. JT’s annual income on both her initial 2015 application and in subsequent reenrollment applications.

71. Ware made a false or fraudulent statement when he indicated on Ms. T’s application for disability income insurance that she had not had a surgical joint repair or replacement in the past five years despite knowing that she had a hip replacement the year prior.

72. Ware's acts had the capacity to mislead insurers and misrepresented the income and marital status of Mrs. JT and the medical history of Ms. T. These misrepresentations were deceptive and misleading.

73. Ware received approximately \$1426 in commissions by submitting applications for Mrs. JT and Ms. T with misrepresented information.

74. Ware's acts and practices have been in violation of Iowa Code §§ 507B.3, 507B.4(3)(n), and 507B.6 subjecting Ware to suspension or revocation of his insurance producer license, to the imposition of a civil penalty, an order requiring Ware to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 507B.7 and 505.8.

**COUNT TWO**  
**Unfair or Deceptive Acts or Practices and Misrepresenting  
Conditions or Terms of a Policy**

75. Under Iowa Code § 507B.3 a person is prohibited from engaging in "any trade practice which is defined in this chapter as, or determined pursuant to section 507B.6 to be, an unfair method of competition, or an unfair or deceptive act or practice in the business of insurance."

76. Under Iowa Code § 507B.4(3)(a)(1) a person is prohibited from making any statement, sales presentation, omission, or comparison which misrepresents the benefits, advantages, conditions, or terms of any insurance policy.

77. Ware misrepresented the conditions or terms of policies under the ACA when he told Ms. MA that she could not obtain a major medical health plan through the FFM unless she also obtained supplemental health products.

78. Ware misrepresented the supplemental health products as “companion insurance,” “complimentary,” and “mandatory.”

79. Ware misrepresented the conditions or terms of the supplemental policies and the health policy through the FFM when he led Ms. MA to believe the policies were offered as a package instead of separate products, through separate companies, and for which she would be billed separate premium amounts.

80. Ware engaged in unfair or deceptive acts or practices when he gave a sales presentation promoting supplemental products and major medical insurance as a package in such a way that had the capacity to mislead consumers, and in fact, did mislead Ms. MA.

81. Ware’s acts and practices have been in violation of Iowa Code §§ 507B.3, 507B.4(3)(a)(1), and 507B.6 subjecting Ware to suspension or revocation of his insurance producer license, to the imposition of a civil penalty, an order requiring Ware to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 507B.7 and 505.8.

**COUNT THREE**  
**Using Fraudulent, Coercive, or Dishonest Practices or  
Demonstrating Incompetence or Untrustworthiness**

82. Under Iowa Code § 522B.11(1)(h), a license may be subject to probation, suspension, or revocation and civil penalties may be levied, as provided in Iowa Code § 522B.17, for using fraudulent, coercive, or dishonest practices or demonstrating incompetence or untrustworthiness.

83. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he marked Mrs. JT as unmarried on an application for insurance, despite

knowing she was married, because he believed it appropriate to classify a married person as unmarried if the couple filed taxes separately.

84. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he provided incorrect income and marital status on Mrs. JT's applications, which resulted in her receiving advance premium tax credits she would not have been eligible to receive but for the misrepresentations. The improper receipt of the advance premium tax credits resulted in Mrs. JT and her husband repaying approximately \$25,692 and it changed the refund amount they would have received each of the years.

85. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he told Mrs. JT to disregard letters from the FFM regarding income verification, even when Mrs. JT advised Ware that her income had been declining.

86. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he submitted a letter, purporting to be Mrs. JT, to the FFM to verify her income. This letter incorrectly stated the details of Mrs. JT's employment and the manner in which she was paid for her services.

87. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he first told a Division investigator that he never had any communications with Mrs. JT about income. However, when confronted with said communications, Ware admitted to discussing changes to income with Mrs. JT.

88. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he told a Division investigator that he advised Mrs. JT to disregard the income letters because he believed that income was set for five years even though he admitted to advising his other clients to notify the FFM if their amount of income changed.

89. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he told Ms. T that she would have no issues getting coverage for a hip surgery, even though he failed to disclose her prior hip surgery on her insurance application, and advised her to keep submitting the claim after the insurer denied the claim.

90. Ware used fraudulent, coercive, or dishonest practices or demonstrated incompetence or untrustworthiness when he told Ms. MA that she would receive “complimentary” supplemental policies when she applied for a health policy through the FFM because the policies were offered as a package deal.

91. Ware’s acts and practices have been in violation of Iowa Code § 522B.11(1)(h) subjecting Ware to probation, suspension, or revocation of Ware’s insurance producer license, the imposition of a civil penalty, an order requiring Ware to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 507B.7, 522B.11, 522B.17, and 505.8.

#### **IV. ORDER**

**WHEREFORE, IT IS ORDERED** pursuant to the powers granted to the Commissioner of Insurance by Iowa Code chapters 507B and 522B:

- A. Ware’s nonresident insurance producer license is suspended for a period of six months pursuant to Iowa Code §§ 507B.7 and 522B.11;
- B. Ware, to demonstrated his competence and trustworthiness, shall identify and complete three separate continuing education or college level courses for each of the following subject matters prior to the end of suspension period:
  1. Basics of the ACA/Health Insurance Exchanges;

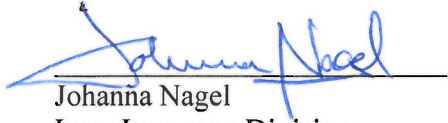
2. Health Insurance, including supplemental insurance, Principles and Products;  
and
3. Business misrepresentation, fraud, and deception.
- C. Ware, pursuant to Iowa Code §§ 507B.7 and 522B.17, shall immediately cease and desist from engaging in the acts or practices found herein;
- D. Ware shall, within fifteen (15) days of this Consent Order, pay a civil penalty in the amount of \$6,000, made payable to the Iowa Insurance Division, to be credited to the Iowa Enforcement Fund, to provide funds for insurance enforcement and education pursuant to Iowa Code §§ 505.8, 507B.7, 522B.11, and 522B.17; and
- E. Ware shall, within fifteen (15) days of this Consent Order, pay the amount of \$1,200 for costs of investigation and proceeding pursuant to Iowa Code § 505.8. Payment shall be made payable to the Iowa Insurance Division, to be credited to the Iowa Enforcement Fund to provide funds for insurance enforcement and education.
- F. These orders may be enforced under Iowa Code chapters 507B and 522B, including but not limited to Iowa Code § 507B.8 and 522B.17(3), and additionally, by any collection remedies available to the State of Iowa Department of Revenue for unpaid penalties and other ordered monetary amounts.

SO ORDERED on the 19<sup>th</sup> day of February, 2020.



DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

Respectfully submitted,



Johanna Nagel  
Iowa Insurance Division  
Two Ruan Center  
601 Locust St. – 4<sup>th</sup> Floor  
Des Moines, Iowa 50309-3738  
Phone: (515) 725-1255  
**Attorney for the Iowa Insurance Division**

Copy to:  
Chad Ware  
2701 11<sup>th</sup> St. Ct.,  
Moline, IL 61265  
**RESPONDENT**

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on February 19, 2020.

By:  First Class Mail ( ) Personal Service  
( ) Restricted certified mail, return receipt  Email, by consent  
( ) Certified mail, return receipt ( ) \_\_\_\_\_

Signature: Hilary Foster  
Hilary Foster

**NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER**

**YOU ARE NOTIFIED** that acting as an insurance producer, as defined in Iowa Code chapter 522B, in violation of this Order, is a felony under Iowa Code § 507A.10, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

**YOU ARE ALSO NOTIFIED** that if you violate this Order, you may be subject to administrative and civil penalties pursuant to Iowa Code § 522B.17(3). The Commissioner may petition the district court to hold a hearing to enforce the order as certified by the Commissioner. The district court may assess a civil penalty against you in an amount not less than three thousand dollars but not greater than ten thousand dollars for each violation, and may issue further orders as it deems appropriate.

**NOTICE REGARDING REINSTATEMENT**

Upon entry of this Order, your insurance producer license will become inactive due to suspension. While your license is inactive, you are prohibited from conducting the business of insurance. Your license will not be active until the Division makes the determination to reinstate your insurance producer license by order pursuant to Iowa Administrative Code rule 191—10.10.

Reinstatement of your insurance producer license is subject to the discretion of the Commissioner. Additionally, it will not be granted unless and until you have complied with the terms of this Order, made the appropriate Application for Reinstatement with the Division, and paid all applicable fees. If applicable, you may also be required to apply for licensure through the National Insurance Producer Registry (NIPR) and pay all applicable fees.

**NOTICE OF FINAL ORDER IMPACT**

A final order of license probation, suspension, or revocation or a cease and desist order may adversely affect other existing business or professional licenses and may result in license revocation or disciplinary action.

A final order in an administrative action does not resolve any potential criminal or civil violations or causes of action that might arise from the same or similar conduct that is the subject of this this order. It may result in criminal law enforcement authorities, including the fraud bureau of the Iowa Insurance Division, pursuing a criminal investigation or prosecution of potential criminal law violations.



**CONSENT TO ORDER AND AGREEMENT**

I, Chad A. Ware, Respondent in this matter, have read, understood, and do knowingly consent to this Order in its entirety. By executing this Consent, I understand that I am waiving my rights to a hearing, to confront and cross-examine witnesses, to produce evidence, and to judicial review.

I further understand this Order is considered a final administrative action that will be reported by the Division to the National Association of Insurance Commissioners and to other regulatory agencies. I also understand this Order is a public record under Iowa Code chapter 22 and information may be shared with other regulatory authorities or governmental agencies, pursuant to Iowa Code § 505.8(8)(d). I also understand this Order will be posted to the Division's website and a notation will be made to the publicly available website record that administrative action has been taken against me.

2/17/20  
Date

Chad A. Ware  
Chad A. Ware, Respondent

2701 11<sup>th</sup> St. Ct. Moline, IL 61265  
Address of Signatory

Subscribed and sworn before me by Chad A. Ware on this 17 day of February, 2020.

Patricia L Keith  
Notary Public for the State of Illinois

