BEFORE THE STATE AUDITOR AND COMMISSIONER OF INSURANCE
STATE OF MONTANA

IN THE MATTER OF:	)	Case No. INS-2008-55
CONSOLIDATED WORKERS ASSOCIATION INC., CLAIMS AND BENEFIT MANAGEMENT INC., a.k.a. CLAIMS MANAGEMENT SERVICE, a.k.a. CBM ADMINISTRATORS, ADMINISTRATORS, a.k.a. CBMC; HEALTHCARE RECOVERY SYSTEMS INC.; INTEGRATED HEALTH BENEFITS; NATIONAL ALLIANCE OF BENEFIT SERVICES ASSOCIATION; NATIONAL HEALTHCARE ASSOCIATES; WALTER R. CECCHINI, JR.; and BRAD WESSLER, individually and/or in their capacities as officers, directors or agents of the immediately foregoing entities, Respondents.	)	**TEMPORARY CEASE AND DESIST ORDER AND OPPORTUNITY FOR HEARING**

The State Auditor and Commissioner of Insurance of the state of Montana (Commissioner), pursuant to the authority of the Montana Insurance Code, Mont. Code Ann.§ 33-1-101, *et seq.*, hereby sets forth the following allegations of fact, conclusions of law, order to cease and desist, and notice of right to a hearing:

ALLEGATIONS OF FACT

1. Respondents are individuals and companies that have acted in concert to sell a bundled product consisting of insurance and medical care discount card products to Montana insurance consumers.

2. Consolidated Workers Association (CWA) is a Delaware corporation formed by Walter R. Cecchini, Jr. (Cecchini) on June 21, 2007. Cecchini also formed a Washington, D.C. corporation on June 7, 2007 with the same name. CWA is not licensed to transact the business of insurance or to market, promote, advertise or distribute medical care discount cards in Montana.

3. Cecchini is the owner, president, and sole director of CWA. Cecchini is not licensed in any capacity by the Montana Department of Insurance (Department).

4. Claims & Benefit Management Inc. (CBM) a.k.a CBMC is a California corporation owned by Brad Wessler (Wessler) who is its CEO and president. CBM also does business as Claims Management Service and CBM Administrators. Wessler also does business as Healthcare Recovery Systems, Inc. (HRSI), National Alliance of Benefit Services Association (NABSA), and Integrated Health Benefits (IHB).

5. Wessler's companies NABSA and IHB are companies that solicit and sell bundled insurance and medical care discount card products including the CWA product. Wessler does not have a Montana insurance producer license or any other license from the Department. None of Wessler's companies are licensed in any capacity by the Department.

6. NABSA offers its own health plan underwritten by CWA that it claims is not insurance so as to avoid state regulation.

7. Membership in NABSA is "automatic" upon the purchase of the CWA plan and membership booklets for NABSA as well as CWA materials are mailed to NABSA members by CBM.

8. CBM and Wessler furnished third-party administrator services to CWA involving Montana consumers.

9. Respondents marketed CWA memberships to individuals and businesses in Montana by "fax-blasting" unsolicited faxes and through an internet website which advertised affordable healthcare plans with $25 doctor visits. Respondents utilized solicitors to sell their product to at least 19 Montana consumers who were led to believe that the product was a comprehensive health insurance plan. Respondents required Montana consumers to give bank account information or credit card information for automatic withdrawals or charges from consumer accounts.

10. Although Respondent's fax-blasts advertized the CWA product as an "affordable healthcare plan" CWA claimed in its fulfillment materials that the product was not insurance, but rather, "a unique reimbursement benefit," in order to avoid state regulation. The CWA plan purports to provide limited specified dollar benefits to members for hospitalization, surgical procedures and doctor visits, and may include prepaid legal insurance. Membership in CWA also includes pharmacy, dental, hearing and vision discount benefits.

11. CWA purports to underwrite the membership benefits that it provides to its members by way of a contractual liability insurance policy issued to it by Consolidated Workers Risk Retention Group (CWRRG), also formed by Cecchini.

12. CWRRG holds no Montana certificate of registration as a risk retention group and did not comply or attempt to comply with the registration process in Montana prior to offering insurance in this state.

13. "Membership fees" charged by CWA to its members vary on whether the membership covers an individual, a married couple or a family, and vary according to the level of benefits provided.

14. Respondents did not, at all times material hereto, have contracts with any medical care providers in the state of Montana which obligated the providers to honor the CWA discount card.

15. Respondents failed to give consumers a 30 day right to cancel memberships.

16. Respondents failed to state on their medical care discount cards that the product was not insurance in bold and prominent type of at least 14 points in size.

17. Respondents failed to provide prospective purchasers or users access to a list of health care providers before purchase of the medical care discount card.

18. T.J.B. purchased the CWA product in October of 2007. She never received a membership packet or insurance or discount identification cards; yet, Respondents automatically withdrew money from her checking account between October 1, 2007 and March 20, 2008.

19. In October of 2007, M.M. purchased the CWA plan for his four employees at the cost of $966 per month, and his membership was purportedly effective January 1, 2008. One of M.M.'s employees, W.K., who believed she had adequate coverage was involved in an automobile accident and incurred medical bills exceeding $41,000 after enduring fusion of her C6-C7 vertebra.. The Respondents did not pay her claims.

20. On January 24, 2008, the Department was notified that B. had received a fax solicitation from the Respondents.

21. On February 1, 2008, the Department was notified that J.C. had inquired about an unsolicited fax she had received from the Respondents and was sent an enrollment application. J.C. was told by the enroller that CWA was the insurance company that underwrote the health plan.

22. On February 5, 2008, the Department was notified that S.C. had purchased the CWA product at the cost of $199 per month. S.C. was told by the CWA solicitor that the plan was both insurance and a discount plan underwritten by CWA.

23. On February 28, 2008, a Department investigator was told by a CWA agent that CWA was the insurance company for the CWA health plan.

24. D.L. was sold the CWA plan with an effective date of June 1, 2008. D.L. cancelled the plan after contacting the Department.

25. Respondents failed to pay claims and led Montana consumers to believe that the consumers were covered under a legitimate insurance plan.

CONCLUSIONS OF LAW

1. The State Auditor is the Commissioner of Insurance. Mont. Code Ann. § 2-15-1903.

2. The Montana Insurance Department is under the control and supervision of the Commissioner. Mont. Code Ann. §§ 2-15-1902 and 33-1-301.

3. The Commissioner and Insurance Department have jurisdiction over this matter. Mont. Code Ann. § 33-1-311.

4. The Commissioner shall administer the Insurance Department to protect insurance consumers. Mont. Code Ann. § 33-1-311(3).

5. A person or entity may not transact a business of insurance in Montana or a business relative to a subject resident, located, or to be performed in Montana without complying with the Montana Insurance Code. Mont. Code Ann. § 33-1-102(1)

6. Insurance is as a contract whereby one undertakes to indemnify another or pay or provide a specified or determinable amount or benefit upon determinable contingencies. Mont. Code Ann. § 33-1-201(5).

7. The "unique reimbursement benefit" sold by Respondents as part of its bundled product constitutes insurance because the product purports to indemnify CWA members or pay members a specified or determinable amount or benefit upon determinable contingencies.

8. No person or entity shall act as an insurer and/or transact insurance in Montana except as authorized by a certificate of authority issued by the Commissioner. Mont. Code Ann. § 33-2-101.

9. "Person" includes an individual, insurer, company, association, organization, Lloyd's, society, reciprocal or interinsurance exchange, partnership, syndicate, business trust, corporation, or any other legal entity. Mont. Code Ann. § 33-1-202. Each of the Respondents are persons as defined by Mont. Code Ann § 33-1-202.

10. An insurer includes every person or entity engaged as an indemnitor, surety, or contractor in the business of entering into contracts of insurance. Mont. Code Ann. § 33-1-201(6). Cecchini and CWA acted as insurers because they received consideration for, and promised to pay, members' medical expenses in the event of certain contingencies.

11. "Transact," with respect to insurance, includes any of the following: (a) solicitation and inducement; (b) preliminary negotiations; (c) effectuation of a contract of insurance; or (d) transaction of matters subsequent to effectuation of the contract of insurance and arising out of it. Mont. Code Ann. § 33-1-201.

12. Cecchini and CWA transacted insurance in Montana by soliciting sales through mass faxing and the internet, negotiating sales of the CWA product, accepting consideration in exchange the CWA product, and, in some cases, sending insurance identification cards and membership materials to purchasers.

13. By acting as insurers and transacting insurance in Montana without a certificate of authority, Cecchini and CWA have committed multiple violations of Mont. Code Ann. § 33-2-101.

14. No person may directly or indirectly act as an insurance producer for, or otherwise represent or aid on behalf of another, any insurer not authorized to transact insurance in this state in the solicitation, negotiation, or effectuation of insurance contracts, inspection of risks, fixing of rates, investigation or adjustment of losses, collection of premiums, or any other transaction of insurance with respect to subjects of insurance resident, located or to be performed in this state. Mont. Code Ann. § 33-2-104.

15. By representing or aiding an unauthorized insurer, Wessler and his companies named herein as respondents have committed multiple violations of Mont. Code Ann. § 33-2-104.

16. A medical care discount card supplier may not market, promote, sell, or distribute a medical care discount card in this state unless the supplier holds a certificate of registration as a supplier issued by the commissioner. Mont. Code Ann. § 33-38-105(1).

17. "Medical care discount card supplier" means a person engaged in selling or furnishing, either as principal or agent, for consideration, one or more medical care discount cards to another person or persons. Mont. Code Ann. § 33-38-102.

18. "Medical care discount card" means a paper or plastic device or other mechanism, arrangement, account, or other device that does not constitute insurance, as defined in § 33-1-201, that purports to grant, for consideration, a discount or access to a discount in a medical care-related purchase from a health care provider. Mont. Code Ann. § 33-38-102.

19. Respondents are medical discount card suppliers who have committed multiple violations of Mont. Code Ann. § 33-38-105(1) by marketing or promoting a medical care discount card plan in the state of Montana without first applying for and receiving a certificate of registration.

20. A person commits the act of insurance fraud when the person accepts premium money knowing that coverage will not be provided. Mont. Code Ann. § 33-1-1202(4). Respondents violated Mont. Code Ann. § 33-1-1202(4) by representing that their products provided coverage which was not provided.

21. A person commits the act of insurance, medical care discount card, or pharmacy discount card fraud, when in the course of offering or selling insurance, a medical discount card, or a pharmacy discount card, the person misrepresents a material fact known to the person to be untrue or made with reckless indifference as to whether it is true, with the intention of causing another person to rely upon the misrepresentation to that relying person's detriment. Mont. Code Ann. § 33-1-1302.

22. Respondents committed multiple violations of Mont. Code Ann. § 33-1-1302 by representing that the offered products provided coverage which was not provided. Respondents made these representations knowing that they were untrue or with reckless indifference as to the truth of the representations with the intention of causing consumers to rely on the misrepresentation to the consumer's detriment.

23. Respondents violated Mont. Code Ann. § 33-38-103(1)(d) by failing to enter into contracts with medical care providers in Montana to provide the discounts represented by the Respondents to be granted to purchasers of the card.

24. Respondents violated Mont. Code Ann. § 33-38-104(1) by failing to give consumers a 30 day right to cancel memberships.

25. Respondents violated Mont. Code Ann. § 33-38-103(2)(a) by failing to state on their medical care discount cards that the product was not insurance in bold and prominent type of at least 14 points in size.

26. Respondents violated Mont. Code Ann. § 33-38-103(1)(c) by failing to provide prospective purchasers or users access to a list of health care providers, including the name, city, state and provider type before purchase of the medical care discount card.

27. CBM violated Mont. Code Ann. § 33-17-603 by failing to obtain a certificate of registration before acting as a third-party administrator.

28. By fax-blasting CWA advertising statements to Montana consumers that misrepresented the benefits, advantages, conditions, or terms of the CWA plan, Respondents through their agents violated Mont. Code Ann. § 33-18-202(1).

29. At all times material hereto, each Respondent was the agent, servant, employee, or in some other legal relationship to the others; and were acting within the course and scope of their agency, servant or employee relationships.

30. At all times material hereto, the entities named herein were used as a subterfuge to justify the wrongs or perpetrate the fraud alleged herein.

CEASE AND DESIST ORDER

Pursuant to Mont. Code Ann. § 33-1-318, it appears to the Department that the above-named Respondents have engaged, are engaged or are about to engage in acts or practices constituting violations of the Montana Insurance Code including engaging in or transacting the unauthorized business of insurance and the offering of medical care discount cards in violation of Montana Code Ann. § 33-1-101 *et seq.*,

1. Therefore, it is hereby ORDERED that the Respondents shall immediately cease and desist from:

a. engaging or transacting the business of insurance and the offering of medical discount card products including the collection of premiums or other consideration, issuance of insurance and insurance-related products, advertising to or soliciting Montana residents by email, facsimile, telephone, mail, internet or any other means so as to induce Montana residents to purchase any form of insurance or medical care discount card product under any of the identified business organizational titles or under any other name or organization;

b. participating directly or indirectly in any act of an insurance producer or insurance company in soliciting insurance business in the state of Montana; and

c. engaging in other any act, practice or course of business that violates any section of the Montana Insurance Code.

2. It is further ORDERED that Respondents shall within 20 days from receipt of this Order provide the Department with:

a. a complete list of all Montana residents who received any insurance policy, plan, related solicitation, or medical care discount card product or solicitation from Respondents for the last five years that includes full contact information, a statement of claims made whether paid or denied, and the total amount of premiums, fees or other consideration collected from sales within the state of Montana;

b. scripts, orders, outlines, or other marketing materials used to solicit insurance and/or medical care discount card products via the telephone, mail, and the internet;

c. a complete list of the names and contact information of any and all insurers which Respondents claim to have represented in Montana solicitations as well as copies of any applications and contracts made with those insurers;

d. a complete list of all enrollers or solicitors that includes company and individual names, telephone numbers used, and addresses;

e. a list of all entities or organizations, including medical providers and provider networks, with which Respondents have contracted to provide insurance or discount services together with copies of any and all contracts made with the same and complete contact information for the entities and individuals involved; and

f. a full accounting of all transactions involving Montana consumers together with bank records purporting to support the accounting;

Respondents shall remain liable for the full performance of all contracts with Montana consumers to the full extent of their claims including consequential damages. This Order is effective immediately and shall continue in full force and effect until further order of the Insurance Commissioner.

5. This Order is binding on Respondents, their agents, affiliates, employees, and/or other representatives, both current and successor, whether named or unnamed herein.

PENALTIES

Pursuant to Mont. Code Ann. § 33-1-318 , a violation of this Order is a separate violation for which the Commissioner may impose a fine not to exceed $5,000 per violation in addition to other penalties imposed by law.

NOTICE OF RIGHT TO HEARING

You are entitled to a hearing and to respond to this Temporary Cease and Desist Order and to present evidence and arguments on all issues involved in this case. If you wish to contest the allegations herein, you must make a written request for a hearing within 15 days of receipt of this Order to Michael Winsor, Special Assistant Attorney General, State Auditor's Office, 840 Helena, Avenue, Helena, MT 59601. The hearing shall then be held within 20 days of the Commissioner's receipt of the hearing request, unless the time is extended by agreement of the parties or by order of the hearing examiner. If you do not request a hearing and the Commissioner orders none, this Order shall become permanent, and the above allegations will be declared the findings of fact and the above conclusions of law will be declared the final conclusions of law.

Should you request a hearing, you have the right to be accompanied, represented and advised by an attorney. If the attorney you choose has not been admitted to the practice of law in the state of Montana, she or he must comply with the Montana State Bar for appearing *pro hac vice* and the requirements of *Application of American Smelting and Refining, Co.*, 164 Mont. 139, 520 P.2d 103 (1973) and *Montana Supreme Court Commission on the Unauthorized Practice of Law v. O'Neil*, 2006 MT 284, 334 Mont. 311, 147 P.3d 200 (2006). If you request a hearing, you will be given notice of the date, time, and place of the hearing.

DATED this 5TH day of MAY, 2009.

MONICA J. LINDEEN
State Auditor and Commissioner of Insurance

By: Robert W Moon
ROBERT W. MOON
Deputy Commissioner of Insurance

CERTIFICATE OF SERVICE

I certify that this 6 day of May 2009, a true and correct copy of the foregoing Order to Cease and Desist and Opportunity for Hearing was served on the following by certified mail with postage prepaid and return receipt requested.

Consolidated Workers Association
c/o National Registered Agents, Inc.
160 Greentree Drive, Suite 101
Dover, DE 19904

Consolidated Workers Association
c/o National Registered Agents, Inc.
1090 Vermont Ave. N.W., #910
Washington, DC 20005

Walter R. Cecchini, Jr.
2100 Greenview Shores Blvd.
Wellington, FL 33414

Walter R. Cecchini, Jr.
5801 Fountains Dr. S.
Lake Worth, FL 33467-5782

Walter R. Cecchini, Jr.
1551 North Flagler Dr. #116
West Palm Beach, FL 33401

Walter R. Cecchini, Jr.
1300 Aguila
Fort Pierce, FL 34951

Walter R. Cecchini, Jr.
1254 Sweet Violet Court
Palm Beach, FL 33415

Claims & Benefit Management, Inc.
6598 Pinon Court
Chino, CA 91710-7448

Claims & Benefit Management, Inc.
6251 Schaefer Ave. Ste. M
Chino Hills, CA 91710

National Alliance of Benefit Services Assoc.
c/o Brad Wessler
6251 Schaefer Ave., Ste. M
Chino Hills, CA 91710

Brad Wessler
6251 Schaefer Ave. Suite M
Chino Hills, CA 91710

Integrated Health Benefits
6251 Schaefer Ave., Ste. O
Chino, CA 91710

Darla Sautter

Darla Sautter, Legal Secretary
Montana State Auditor's Office