



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

MIDWEST SECURITY LIFE INS CO
2700 MIDWEST DRIVE
ONALASKA WI 54650-8764

dated March 5, 2004, and served upon the company on July 9, 2004, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 4th day of January, 2005.

Jorge Gomez
Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

**MARKET CONDUCT EXAMINATION
OF
MIDWEST SECURITY LIFE INSURANCE COMPANY
ONALASKA, WISCONSIN**

JANUARY 20 - FEBRUARY 3, 2004

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March 5, 2004

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Honorable Jorge Gomez
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted January 20, 2004 to February 3, 2004 of:

MIDWEST SECURITY LIFE INSURANCE COMPANY
Onalaska, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Midwest Security Life Insurance Company (MSLIC) was incorporated in September of 1972 and commenced business in March of 1973. Originally incorporated as Golden Investors Life Insurance Corporation, in 1976 the company's name was changed to Knickerbocker Life Insurance Company of Indiana. During 1981, its name was changed to Omnivest Life Insurance Company, and in 1986 the present company name was adopted. During 1993, the company redomesticated from Indiana to Wisconsin. Effective December 31, 1985, all outstanding stock of the company was acquired by R. W. Houser, Inc., an insurance holding company located in Onalaska, Wisconsin. Effective October 1, 2002, UnitedHealth Group Incorporated and UnitedHealthcare, Inc., acquired all stock for MSLIC. MSLIC offers group life and accident and health products and individual annuities to the small employer market. In Wisconsin, MSLIC markets primarily group health insurance through preferred provider networks.

MSLIC contracts with eight provider networks. MSLIC provides coverage in 71 counties in Wisconsin. MSLIC reported that it had 26,008 enrollees as of September 30, 2003.

The majority of premium written by the company in 2001 and 2002 was in group accident and health. In 2001 and 2002, the company ranked as the 17th largest writer of group accident and health in Wisconsin.

The following tables summarize the premium written and incurred losses in Wisconsin for 2001 and 2002 broken down by line of business.

National Direct Business to Wisconsin Direct Business Summary

Year	National Direct Premium Written	Wisconsin Direct Premium Written	WI As a Percentage of the National Premium
2002	\$200,758,835	\$100,937,521	50.28%
2001	\$170,802,734	\$97,985,681	57.37%

COMPLAINTS

The Office of the Commissioner of Insurance received 88 complaints against the company between January 1, 2002 and December 31, 2002. A complaint is defined as “a written communication received by the Commissioner’s Office that indicates dissatisfaction with an insurance company or agent.” The company ranked 14th on the 2002 complaint summary for group accident and health insurance, with 88 complaints and a complaint ratio of .09 compared to a Wisconsin average of .04 complaints per \$100,000 of written premium. The company ranked 14th on the group complaint summary for 2001, with 80 complaints and a complaint ratio of .10 compared to a Wisconsin average of .05 complaints per \$100,000 of written premium. The majority of the complaints involved claim issues involving the company’s PPO products.

The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

COMPLAINTS RECEIVED

Through October 22, 2003					
Reason Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Individual A&H				1	
Group A&H			1		
PPO	1	2	35	2	13
All Others		1			1
Total	1	3	36	3	14

2002					
Reason Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Group A&H	0	1	5	1	1
PPO	6	1	54	5	14
Total	6	2	59	6	15

2001					
Reason Type	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Individual A&H	0	0	2	0	0
Group A&H	1	3	13	2	4
PPO	2	4	37	1	9
All Others	0	0	1	0	1
Total	3	7	53	3	14

GRIEVANCES

MSLIC submitted annual grievance summary reports to OCI for 2001 and 2002. A grievance is defined as “a dissatisfaction with the provision of services, or claims practices of an insurer offering a health benefit plan, or administration of a health benefit plan by the insurer that is expressed in writing to the insurer by, or on behalf of, an insured.”

The grievance report for 2002 indicated the company received 529 grievances of which 104 or 19.66% were reversed. The majority of the grievances filed with the company in 2002 were related to medical necessity and plan providers.

The grievance report for 2001 indicated the company received 321 grievances, 114 or 35.51% were reversed. The majority of the grievances filed with the company in 2001 were related to noncovered benefit, out-of network provider and medical necessity.

The following tables summarize the grievances for the company for the last two

years:

2001	
Category	No.
Out-of-Network Provider	87
Prescription Drug	5
Preexisting Condition	10
Out-of-Area Emergency	0
Emergency Room	2
Durable Medical	2
No Preauthorization	1
Noncovered Benefit	97
Not Medically Necessary	59
Usual and Customary	3
Request for Preauthorization	24
Request for Referral	0
Maximum Benefit Reached	5
Other	26
Total	321

2002	
Category	No.
Access to Care	0
Continuity of Care	1
Drug & Drug Formulary	0
Emergency Services	0
Experimental Treatment	4
Prior Authorization	33
Not Covered Benefit	95
Not Medically Necessary	140
Other	123
Plan Administration	0
Plan Providers	133
Request for Referral	0
Total	529

II. PURPOSE AND SCOPE

A targeted compliance examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination included a review of compliance with the examination recommendations in the previous market conduct examination report adopted October 24, 2002. The examination focused on the period from January 1, 2002 through September 30, 2003. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination was limited to a review of company operations and management; claims; complaints; electronic commerce; grievances; managed care; marketing and sales; policyholder service & complaints; privacy; producer licensing; rates and policy forms; small employer; and terminations.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

III. PRIOR EXAMINATION RECOMMENDATIONS

The previous market conduct examination of the company, as adopted October 24, 2002, contained 45 recommendations. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

Policy Forms

1. It is recommended that MSLIC submit all forms subject to s. 631.01 (1), Wis. Stat., to the commissioner for approval prior to their use as required by s. 631.20, Wis. Stat.

Action: Compliance

2. It is recommended that MSLIC rewrite the language in the enrollment form (MNGH27 0198) to comply with ss. 610.70 (2) (a) 7 and 8, Wis. Stat., and refile the form with OCI for approval within 30 days after this report is adopted.

Action: Compliance

3. It is recommended that MSLIC amend certificate GH 862C (12/98) WI in order to comply with s. 631.83 (3) (a), Wis. Stat., and refile the form with OCI for approval within 30 days after this report is adopted.

Action: Compliance

4. It is recommended that MSLIC amend the language in medical examination questionnaire SLIP.004 0593 to be compliant with s. 631.90 Wis. Stat., and s. Ins 3.53 (4), Wis. Adm. Code, and refile the form with OCI for approval within 30 days after this report is adopted.

Action: Compliance

Marketing and Advertisements

5. It is recommended that MSLIC institute procedures to ensure that there is a complete file in which advertisements are kept as required by s. Ins 3.27 (28), Wis. Adm. Code.

Action: Noncompliance

6. It is recommended that the company develop and implement procedures to monitor or control its agents' web sites to ensure their compliance with s. Ins 3.27, Wis. Adm. Code.

Action: Compliance

7. It is recommended that the company maintain hard copy screen prints of any web site pages in its advertising file as required by s. Ins 3.27 (28), Wis. Adm. Code.

Action: Compliance

Grievances

8. It is recommended that MSLIC revise its grievance procedure to state a grievance will be acknowledged within five days of receipt of the grievance as required by s. Ins 9.33 (3), Wis. Adm. Code.

Action: Compliance

9. It is recommended that the company develop and implement a written expedited grievance procedure as required by s. Ins 9.33 (6), Wis. Adm. Code.

Action: Compliance

10. It is recommended that MSLIC revise its grievance procedure to include notifying an enrollee of the right to file a grievance when the company begins disenrollment proceeding in order to comply with s. Ins 9.33 (2), Wis. Adm. Code.

Action: Not applicable. Section Ins 9.33, Wis. Adm. Code, was repealed and replaced by s. Ins 18.03 (2) (d), Wis. Adm. Code, which requires only health maintenance organizations and limited service health organizations to notify enrollees of their grievance rights upon disenrollment.

11. It is recommended that the company comply with s. Ins 9.33, Wis. Adm. Code, by handling each written expression of dissatisfaction through the company grievance process.

Action: Compliance

12. It is recommended that the company send extension letters that notify grievants that additional time is needed to resolve the grievance as required by s. Ins 9.33 (4), Wis. Adm. Code.

Action: Compliance

13. It is recommended that the company send grievance resolution letters to the grievant as required by s. Ins 9.33 (5) (g), Wis. Adm. Code.

Action: Compliance

14. It is recommended that the company date stamp written expressions of dissatisfaction to record the received date of the grievance in order to comply with s. Ins 9.33 (7), Wis. Adm. Code.

Action: Compliance

15. It is recommended that the company retain records for each grievance as required by s. Ins 9.33 (7) (a), Wis. Adm. Code.

Action: Compliance

16. It is recommended that MSLIC set up controls to ensure that the Grievance Experience Summary filed annually with the commissioner agrees with supporting documents pursuant to s. 628.34 (1), Wis. Stat.

Action: Compliance

17. It is recommended that the company include in the contracts it has with provider networks a provision under which the provider must identify complaints and grievances and forward them in a timely manner to the preferred provider plan for recording and resolution as required by s. Ins 9.33 (7) (b), Wis. Adm. Code.

Action: Noncompliance

Managed Care

18. It is recommended that MSLIC establish and operate a compliance program that provides reasonable assurance that the insurer is in compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., as required by s. Ins 9.42 (2) (a), Wis. Adm. Code.

Action: Noncompliance

19. It is recommended that MSLIC establish and operate a compliance program that provides reasonable assurance that any violations of ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., are detected and timely corrections are taken by the insurer as required by s. Ins 9.42 (2) (b), Wis. Adm. Code.

Action: Noncompliance

20. It is recommended that MSLIC establish and operate a compliance program that includes regular internal audits, including regular audits of any contractors or subcontractors who perform functions relating to compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., as required by s. Ins 9.42 (3), Wis. Adm. Code.

Action: Noncompliance

21. It is recommended that MSLIC amend its provider network agreements to require its provider networks to carry out the functions required under ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., as required by s. Ins 9.42 (4) (a), Wis. Adm. Code.

Action: Compliance

22. It is recommended that MSLIC enforce the contractual provisions required under s. Ins 9.42 (4) (a), Wis. Adm. Code, as required by s. Ins 9.42 (4) (b), Wis. Adm. Code.

Action: Noncompliance

23. It is recommended that MSLIC include in its compliance program provisions to monitor, supervise and audit the performance of the provider networks as required by s. Ins 9.42 (4) (c), Wis. Adm. Code.

Action: Noncompliance

24. It is recommended that MSLIC maintain management reports and records to monitor, supervise, and audit the performance of the provider networks as required by s. Ins 9.42 (4) (d), Wis. Adm. Code.

Action: Noncompliance

25. It is recommended that MSLIC include and enforce contractual provisions in provider network contracts, which require the provider networks to give the OCI access to documentation demonstrating compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat, as required by s. Ins 9.42 (4) (e), Wis. Adm. Code.

Action: Noncompliance

26. It is recommended that MSLIC regularly audit compliance with contract provisions including audits of internal working papers and reports as required by s. Ins 9.42 (4) (f), Wis. Adm. Code.

Action: Noncompliance

27. It is recommended that MSLIC institute procedures to ensure that the medical examining board and other affiliated credentialing boards are notified of any discipline taken against a participating provider as required by s. 609.17, Wis. Stat.

Action: Noncompliance

28. It is recommended that MSLIC institute procedures to ensure that there is adequate access to care within a provider network pursuant to s. 609.22 (1), Wis. Stat.

Action: No longer applicable, statute amended September 2001.

29. It is recommended that MSLIC develop and follow specific access standards to provide adequate telephone access for its enrollees as required by s. 609.22 (7), Wis. Stat.

Action: No longer applicable, statute amended September 2001.

30. It is recommended that MSLIC develop and follow an access plan to meet the needs, with respect to covered benefits, of its enrollees who are members of underserved populations as required by s. 609.22 (8), Wis. Stat.

Action: No longer applicable, statute amended September 2001.

31. It is recommended that MSLIC develop and follow a procedure to provide continuity of care as required by s. 609.24, Wis. Stat., and s. Ins 9.35 (1), Wis. Adm. Code.

Action: No longer applicable, statute amended September 2001.

32. It is recommended that MSLIC develop and follow a procedure regarding circumstances where the company would not provide coverage to ensure continuity of care as required by s. 609.24 (1) (d), Wis. Stat., and s. Ins 9.35 (2), Wis. Adm. Code.

Action: No longer applicable, statute amended September 2001.

33. It is recommended that MSLIC include in its provider contracts provisions addressing reimbursement to out-of-network providers for services rendered under a continuity of care situation as required by s. 609.24, Wis. Stat.

Action: No longer applicable, statute amended September 2001.

34. It is recommended that MSLIC amend its provider contracts to include a provision that addresses who will pay the provider and according to what terms the reimbursement will be made as required by s. 609.24 (1) (e), Wis. Stat.

Action: No longer applicable, statute amended September 2001.

New Health Business and Underwriting

35. It is recommended that MSLIC develop and use a written small employer disclosure form that includes the language required by s. Ins 8.44 (2), Wis. Adm. Code.

Action: Compliance

36. It is recommended that MSLIC accept any small employer in the state that applies for a group health benefit plan pursuant to s. 635.19 (1) (a) 1, Wis. Stat.

Action: Compliance

37. It is recommended that MSLIC ensure that its small employer waiver form includes language describing the consequences which may be imposed on late enrollees as required by s. Ins 8.65 (2) (c), Wis. Adm. Code.

Action: Compliance

38. It is recommended that MSLIC develop and follow a procedure to ensure supporting documentation verifying coverage was offered to all eligible employees is obtained and kept in the file pursuant to s. Ins 8.65 (1), Wis. Adm. Code.

Action: Compliance

39. It is recommended that MSLIC follow its internal procedures to ensure that all applications for coverage are signed by an agent listed with the company pursuant to s. Ins 6.57, Wis. Adm. Code.

Action: Compliance

40. It is recommended that MSLIC develop procedures to correctly identify and report to the OCI small employer business pursuant to s. 628.34 (1), Wis. Stat.

Action: Compliance

Producer Licensing

41. It is recommended that MSLIC improve existing procedures to ensure that the company reconciles and maintains agent information to coincide with the OCI agent database as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (1), Wis. Adm. Code.

Action: Noncompliance

42. It is recommended that MSLIC improve existing procedures to ensure that the company notifies the OCI of agent terminations from the company as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (2), Wis. Adm. Code.

Action: Noncompliance

43. It is recommended that MSLIC develop and follow a procedure to ensure that agent termination letters contain a request for return of indicia as required by s. Ins 6.57 (2), Wis. Adm. Code.

Action: Compliance

Terminations, Nonrenewals, and Cancellations

44. It is recommended that MSLIC use a notification of a risk-sharing plan that is specific to Wisconsin which states the eligibility requirements and the method of applying for coverage under the plan in order to comply with s. 632.785, Wis. Stat.

Action: Compliance

Claims Administration

45. It is recommended that MSLIC pay all interest amounts on overdue claim payments pursuant to s. 628.46, Wis. Stat.

Action: Noncompliance

IV. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed MSLIC's response to OCI's claims interrogatory; the company's explanation of benefits (EOB) and remittance advice (RA) forms; claim processing procedures; audit reports; and claims adjustment reason codes (ANSI codes).

The examiners reviewed a sample of 100 paid and 100 denied medical claims processed during the period of review. The examiners also reviewed a sample of 50 paid and 50 denied chiropractic claims. The examiners found that the company had not paid two paid medical claims and two paid chiropractic claims in a timely manner and that the company had not paid interest on these claims. The company stated that it did not have a written process or procedure for paying interest amounts on overdue claim payments. The company also stated it paid interest on delayed claims only when another claim was received from that same provider. Section 628.46, Wis. Stat., provides that a claim shall be overdue if not paid within 30 days after the insurer is furnished written notice of the fact of a covered loss and of the amount of the loss. All overdue payments shall bear simple interest at the rate of 12% per year.

1. **Recommendation:** It is recommended that the company report within 90 days of the adoption of the examination report its plan for developing, documenting and implementing a process for paying interest on all delayed claims in order to comply with s. 628.46, Wis. Stat.
2. **Recommendation:** It is again recommended that the company pay interest on all delayed claims pursuant to s. 628.46, Wis. Stat.

The examiners found seven denied chiropractic claims did not include in the denial letter to the chiropractor information regarding grievance rights. Sections 632.875 (2) (d) and (e), Wis. Stat., require that a description of the insurer's internal appeal process that is available to the patient and that a statement indicating that the patient may request an internal appeal of the insurer's restriction or termination of coverage are provided to the patient and to the treating chiropractor in a written statement.

3. **Recommendation:** It is recommended that the company develop, document, and implement a procedure that ensures all letters of denial of chiropractic claims sent to chiropractors include language as required by s. 632.875 (2) (d) and (e), Wis. Stat.

Electronic Commerce

The examiners reviewed the company's response to the electronic commerce interrogatory, the company's website, provider listings, and information for agents. The examiners also conducted an interview with the company's marketing director.

The examiners' review of the company's website indicated that it provided basic information about the company's products and services. The website provided online administrative forms for employers, provider directories, and information regarding contacting the company. The company indicated its marketing department and the information systems department were responsible for the company's website.

The examiners requested information regarding the company's process for monitoring agent websites and audit reports. The company stated that in the first week in January and July of each year it uses two search engines to search for sites referencing Midwest Security Insurance Companies.

The examiners requested from the company a list of providers whose contracts had terminated within the past six months in order to verify that terminated providers had been deleted from the company's online provider directory. The examiners found during a search of the company's website on January 28, 2004, that two providers who the company identified as terminated were listed as providers on the PPO network electronic database. Although the company indicated that it updated its website daily, the examiners found one provider terminated November 28, 2003 and the other December 31, 2003.

4. **Recommendation:** It is recommended that the company include in its internal process for maintaining and updating its website a process for ensuring that the provider directories available on its website are current and do not include providers whose contracts have been terminated.

Grievances and Independent Review

Effective December 1, 2001, s. Ins 9.33, Wis. Adm. Code, was repealed and recreated as subchapter II of ch. 18, Wis. Adm. Code, titled grievance procedures. This report references cites in the administrative code as currently drafted.

The examiners reviewed MSLIC's response to OCI's grievance and IRO interrogatory, the company's written grievance procedures and policies, provider agreements, and grievance reports. The examiners also reviewed the company's independent review organization (IRO) process, informational materials provided to insureds, the EOB form, and the benefit denial letters.

Grievances

The examiners reviewed 50 grievance files from the period of review. The examiners found one grievance file where the company's information did not agree with the annual grievance report it filed with the OCI. Section 628.34 (1), Wis. Stat., prohibits insurers from making or causing to be made any communication which contains false or misleading information, including information misleading because of incompleteness.

The examiners found that the company had not identified and handled as a grievance one written expression of dissatisfaction. Section Ins 18.01 (4), Wis. Adm. Code, states that a grievance means a dissatisfaction with the provision of services or claims practices of an insurer that is expressed in writing to the insurer. Section 632.83, Wis. Stat., requires every insurer to establish an internal grievance procedure to resolve insureds' grievances.

The examiners found one grievance file did not include a stamped received date. Section Ins 18.03 (6), Wis. Adm. Code, requires an insurer to resolve a grievance within 30 days of receipt.

Independent Review

The examiners interviewed the medical review specialist, the compliance administrator, and the manager of q-review, regarding the company's independent review process.

The examiners found that the company did not have written policies and procedures for processing independent review requests that required the insured to complete the internal grievance process prior to going to an independent review organization. Section 632.835 (2) (d), Wis. Stat., states that an insured may not be required to exhaust the internal grievance process if the insured and the insurer agree, or the insured sends a notice to the independent review organization which determines that the health condition of the insured is such that it could be jeopardized by using the internal grievance procedure.

5. **Recommendation:** It is recommended that the company modify its written independent review policies and procedures to allow insureds to bypass its internal grievance procedure as required by s. 632.835 (2) (d), Wis. Stat.

The examiners found that the company's IRO procedures did not include a process for responding to requests from IROs for additional information. Section 632.835 (3) (c), Wis. Stat., requires an insurer to provide the information requested or to provide an explanation of why the information is not being submitted within five business days of a request for additional information from an IRO.

The examiners found that the company's informational sheet on the independent review process included a list of the IROs that did not include the current address of one IRO and the current contact persons for two IROs. Section 632.835 (2) (b), Wis. Stat., requires an insurer to provide insureds with a current list of certified IROs along with its notice of the right to request an independent review.

6. **Recommendation:** It is recommended that the company ensure that the list of certified IROs it provides to insureds is current as required by s. 632.835 (2) (b), Wis. Stat.

The examiners reviewed a sample of 12 files involving insureds who had requested an independent review. The examiners found one IRO file where the company had not refunded the \$25.00 IRO fee to the insured. Section Ins 18.11 (2) (a) 4, Wis. Adm. Code, requires that the \$25 fee paid to the independent review organization to be refunded to the insured by the insurer if the insured or insured's authorized representative prevails in the review, either in whole or in part.

The examiners found that the company's certificate of coverage, form no. GH 862C (02/01) WI, did not include an explanation regarding obtaining a current listing of IROs. Section 632.835 (2) (bg) 1, Wis. Stat., requires a policy to contain a description of the independent review procedure, including an explanation of how to obtain a current listing of IROs.

7. **Recommendation:** It is recommended that the company submit the certificate of coverage form GH 862C (02/01) WI to OCI and obtain approval of policy and certificate language regarding the independent review process that includes an explanation of how to obtain a current listing of IROs, as required by s. 632.835 (2) (bg) 1, Wis. Stat.

The examiners found that the company did not have a procedure for handling a request for an expedited independent review. Section 632.835 (3) (g), Wis. Stat, requires an insurer to follow an expedited IRO procedure if an IRO determines that delaying a review would jeopardize the life or health of the insured or the insured's ability to regain maximum function.

8. **Recommendation:** It is recommended that the company develop, document, and implement a process, including a written procedure, for providing information to an IRO within the time periods required by s. 632.835 (3) (g), Wis. Stat.

Managed Care

The provisions of 2001 Wisconsin Act 16 (SB 55) and the 2001-2003 Biennial Budget amended the provisions of ch. 609, Wis. Stat. Effective on September 1, 2001, ch. 609, Wis. Stat., was amended to replace the term "managed care plan" with the term "defined network plan," throughout the chapter. The act relaxed some of the requirements applicable to preferred provider plans, but only if preferred provider plans did not require or impose financial incentives related to referrals for access to a participating or non-participating provider. In addition, a preferred provider plan that imposed material exclusions, deductibles, maximum limits or other conditions that are uniquely applied to out of network provider services, and that results in significant limits on out of network benefits compared to in-network benefits, is a defined network plan. The act provided that a preferred provider plan that was also a defined network plan was required to meet statutory requirements. At the time of the examination, Wisconsin had not created and amended language in its regulations to correspond with the statute. The examination was limited to an overview of the company's compliance with managed care requirements.

The examiners reviewed the company's response to the managed care interrogatory, its compliance plan, sample letters, and network and provider contracts. MSLIC contracted with facilities and provider networks that contracted with individual providers. The company did not contract with individual providers. The company does not intend to contract for NCQA review.

The examiners determined that the company's policy forms and certificates of coverage did not include referral requirements and material exclusions, deductibles or limits that resulted in significant limits on out of network benefits compared to in-network benefits. The examiners found that the company offered plans that met the definition of preferred provider plans that were not also defined network plans.

The company reported that it contracted with nine PPO networks, including Accountable Health Plans, The Alliance, Midwest Preferred, Network Health, Prevea, Preferred One, Select Care, Touchpoint, and WPPN.

The examiners requested a copy of the company's written policy and procedure for ensuring that the medical examining board or other affiliated credentialing boards were notified of any discipline taken against a participating provider. The company stated that it did not have a written policy or procedure, but that when it becomes aware of disciplinary issues with a provider, it would notify the appropriate board. The examiners also requested a copy of the contract language the company stated it had incorporated into new and renewed contracts to show compliance with s. 609.17, Wis. Stat. The company did not provide a copy of the new language. Section 609.17, Wis. Stat., requires every preferred provider plan to notify the medical examining board or appropriated affiliated credentialing board attached to the medical examining board of any disciplinary action taken against a participating provider who holds a license or certificate granted by the board or affiliated credentialing board.

9. **Recommendation:** It is again recommended that the company develop, document and institute procedures to ensure that the medical examining board and other affiliated credentialing boards are notified of any discipline taken against a participating provider as required by s. 609.17, Wis. Stat.

The examiners found the company addressed quality of care issues involving network providers under its internal grievance process, when the issue was presented by an insured. The company stated that if issues originated from a source other than insureds, the issues were referred to the managed care department and the legal department to review and investigate. The examiners found that the company did not have a remedial action plan for addressing quality problems. Section 609.32 (1m), Wis. Stat., requires that a preferred provider plan shall develop a procedure for remedial action to address quality problems, including written procedures for taking appropriate corrective action.

10. **Recommendation:** It is recommended that the company develop, document, and implement a process for remedial action to address quality problems as required by s. 609.32 (1m), Wis. Stat.

The examiners reviewed the company's compliance plan and found that it did not include all elements of a compliance plan required by s. Ins 9.42 (2), Wis. Adm. Code. The examiners found that the company did not have a written procedure for ongoing monitoring for compliance. The examiners also found that the company did not monitor on an on-going basis for compliance. Section Ins 9.42 (2) (a), Wis. Adm. Code, requires that an insurer establish and operate a compliance program that provides reasonable assurance that the insurer is in compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code. Section Ins 9.42 (2) (b), Wis. Adm. Code, requires that any violations are detected and timely corrections are taken by the insurer.

11. **Recommendation:** It is again recommended that the company establish, document, and operate a compliance program that provides reasonable assurance that the insurer is in compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, as required by s. Ins 9.42 (2) (a), Wis. Adm. Code.
12. **Recommendation:** It is again recommended that the company establish, document and operate a compliance program that provides reasonable assurance that any violations of ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, are detected and timely corrections are taken by the insurer as required by s. Ins 9.42 (2) (b), Wis. Adm. Code.

The examiners found that the company did not have written procedures for conducting internal audits. The examiners also found that the company had not audited any networks since 2000. Section Ins 9.42 (3), Wis. Adm. Code, provides that the insurer's compliance program shall include regular internal audits, including regular audits of any contractors or subcontractors who perform functions relating to compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code.

13. **Recommendation:** It is again recommended that the company establish, document, and operate a compliance program that includes regular internal audits, including regular audits of any contractors or subcontractors who perform functions relating to compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, as required by s. Ins 9.42 (3), Wis. Adm. Code.

The examiners found that the company had not amended its provider network agreements to contractually require its networks to carry out those contracted functions in compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code. The examiners found that the company did not have a mechanism for enforcing contractual provisions. The examiners also found that the company's network contracts did not include contractual provisions requiring the networks to give the OCI access to compliance documentation. Section Ins 9.42 (4) (a), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., shall contractually require the other party to carry out those functions. Section Ins 9.42 (4) (b), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to enforce the contractual provisions. Section Ins 9.42 (4) (e), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to include and enforce contractual provisions requiring the other party to give the OCI access to documentation demonstrating compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat.

14. **Recommendation:** It is recommended that, within 180 days of notice to MSLIC of the adoption of the report, the company use its best efforts to amend its provider network agreements to require its provider networks to carry out the functions required under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., as required by s. Ins 9.42 (4) (a), Wis. Adm. Code, and to enforce the contractual provisions under 9.42 (4) (a), Wis. Adm. Code, as required by s. Ins 9.42 (4) (b), Wis. Adm. Code.

15. **Recommendation:** It is again recommended that the company include and enforce contractual provisions in provider network contracts, which require the provider networks to give the OCI access to documentation demonstrating compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., as required by s. Ins 9.42 (4) (e), Wis. Adm. Code.

The examiners found that the company did not maintain copies of management reports, copies of controls, or other records, concerning its quality improvement and assurance, credentialing, utilization review, access, peer review, physician association and pharmacy activities necessary to monitor, supervise, and audit the performance of its provider networks. Section Ins 9.42 (4) (c), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to include in the insurer's compliance program provisions to monitor, supervise, and audit the performance of the other party in carrying out the functions. Section Ins 9.42 (4) (d), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to maintain management reports and records reasonable necessary to monitor supervise and audit the other party's performance.

16. **Recommendation:** It is again recommended that the company develop, document, and implement a process documenting that its compliance program provisions to monitor, supervise and audit the quality improvement and assurance, credentialing, utilization review, access, peer review, performance of the provider networks, physician association and pharmacy activities as required by s. Ins 9.42 (4) (c), Wis. Adm. Code.
17. **Recommendation:** It is again recommended that the company maintain management reports and records to monitor, supervise, and audit the performance of the provider networks as required by s. Ins 9.42 (4) (d), Wis. Adm. Code.

The examiners found that the company did not conduct audits of the contracted networks. Section Ins 9.42 (4) (f), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to regularly audit compliance with contract provisions including audits of internal working papers and reports.

18. **Recommendation:** It is again recommended that the company regularly audit compliance with contract provisions including audits of internal working papers and reports as required by s. Ins 9.42 (4) (f), Wis. Adm. Code.

The examiners found that the company delegated credentialing responsibility to its networks. The examiners found that not all the network agreements included language explaining the network's delegation responsibilities. The examiners found that although the company stated that it contracted with Midwest Security Care, Inc. (MSC), an affiliate for credentialing services, but that the company did not have a written agreement with MSC specifically addressing credentialing. Section Ins 9.42 (4) (a), Wis. Adm. Code, requires an insurer that materially relies upon another party to carry out functions under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., to contractually require the other party to carry out those functions.

19. **Recommendation:** It is recommended that the company revise its network contracts to include language that specifically delegates the credentialing responsibility to the network as required by s. Ins 9.42 (4) (a), Wis. Adm. Code.

Marketing, Sales & Advertising

The examiners reviewed the company response to the marketing, sales and advertising interrogatory, the company's website, and its advertising file from the period of review. The examiners also conducted an interview with the company's marketing director.

The examiners reviewed the 30 advertisements in the company's advertising files. The examiners found that the manner and extent of distribution was not notated on each advertisement. Section Ins 3.27 (28), Wis. Adm. Code, requires that the manner and extent of distribution and the form number of any policy, amendment, rider, or endorsement form be notated on each advertisement in the company's advertising file.

20. **Recommendation:** It is again recommended that the company document and institute procedures to ensure that its advertising file includes a notation of the manner and extent of distribution as required by s. Ins 3.27 (28), Wis. Adm. Code.

The examiners found that the American Farmers Health Plans brochure (AmFarmBro0802) included wording stating that, "We are confident that once you choose the American Farmers Health Plans, you will find the answer to all of your health coverage needs." that exaggerated benefits under the policy. Section Ins 3.27 (9) (b), Wis. Adm. Code, states that words and phrases "all", "full", "complete", "comprehensive", "unlimited", "up to", "as high as", "this policy will pay your hospital and surgical bills", "this policy will fill the gaps under Medicare and your Present insurance" or "this policy will replace your income", or similar words and phrases shall not be used so as to exaggerate any benefit beyond the terms of the policy.

The examiners found that one of company brochures in the company's advertising file advertised specific policies but did not include an attached copy of the policy. Section Ins 3.27 (28), Wis. Adm. Code, states that a copy of the policy advertised, together with any amendment, rider or endorsement applicable thereto, shall be included in the file with each such advertisement.

21. **Recommendation:** It is recommended that the company develop, document, and institute a procedure to ensure a copy of the policy advertised is included in the advertising file as required by s. Ins 3.27 (28), Wis. Adm. Code.

Policyholder Service & Complaints

The examiners reviewed the company's response to the policyholder service and complaints interrogatory; the terminations, nonrenewals, and cancellations interrogatory; sample letters; termination notices; and company and OCI complaint files. Due to the fact that the company writes primarily PPO business and Wisconsin had not promulgated regulations for defined network and PPO plans, the complaint review was limited to the company's process and procedures for reviewing consumer and OCI complaints.

The examiners found that the company's termination letter sent to notify employees of the termination of the employees' insurance coverage did not specify the employees' rights to have continuation of coverage. Section 632.79 (2), Wis. Stat., requires that prior to termination of any group policy, plan or coverage, the insurer shall notify in writing the policyholder, trust, association or other party responsible for payment of premiums of the date as of which the policy or plan will be terminated or discontinued. The insurer shall additionally furnish to the policyholder a notice indicating what rights, if any, are available to them upon termination.

22. **Recommendation:** It is recommended that the company draft and use a letter for employees of terminated groups that informs terminated employees of their right to continuation of coverage in order to comply with s. 632.79 (2), Wis. Stat.

The examiners reviewed a random sample of 25 complaints OCI received involving the company. The examiners found two OCI complaint files that indicated the company had not contacted the complainant within 10 days as required. Section 601.42, Wis. Stat., requires an insurer to provide answers to information as designated by the OCI.

23. **Recommendation:** It is recommended that the company develop, document, and implement a procedure to ensure that it sends a response to any complainant of an OCI complaint within 10 days of receipt of the complaint in order to comply with s. 601.42, Wis. Stat.

The examiners requested a copy of the company's complaint log in order to select a sample of complaints for review. The examiners found that the company tracked only complaints regarding claims, and did not track complaints made by insureds to the company for

non-claim related concerns. Section Ins 18.06 (1), Wis. Adm. Code, requires an insurer offering a health benefit plan to maintain for a period of at least three years at the insurer's home or principal office, each record of each complaint and grievance submitted to the insurer.

24. **Recommendation:** It is recommended that the company develop, document, and implement a procedure to track each record of each complaint submitted to the company and to retain the records at the company's principal office for a period of three years as required by s. Ins 18.06, Wis. Adm. Code.

The examiners reviewed a random sample of 50 files that the company identified in response to OCI's complaint data request. As stated above, the complaints only included claim complaints. No exceptions were noted regarding this limited sample.

Privacy

Section 610.70, Wis. Stat., regarding medical records privacy, became effective June 1, 1999, and created restrictions on insurers regarding their collection and release of personal medical information that corresponded with the federal Health Insurance Portability and Accountability Act (HIPAA) requirements. Chapter Ins 25, Wis. Adm. Code, became effective July 1, 2001, to address the provisions of Gramm Leach Bliley, and is based on the National Association of Insurance Commissioners (NAIC) privacy of consumer financial and health information model regulation.

The examiners reviewed the company's response to the privacy of consumer financial and health information interrogatory and conducted an interview with the company's privacy officer. The examiners found that the company had developed and implemented a privacy program that incorporated training of all employees and security measures that applied to the functional areas of the company. The company had a HIPAA PowerPoint presentation available online, and also included HIPAA information in its bulletins to agents.

The company stated that it completed in March 2003 the process of notifying all insureds of their privacy and confidentiality rights. The company also stated it was completing the process of having the agents and agencies sign its business associate agreement which includes a confidentiality statement. The company has contracts with vendors for handling the on-site shredding of confidential material.

The examiners found that the company had developed an internal audit tool for its HIPAA compliance plan. The company reported that it had not completed internal audits nor been subject to external audits of its privacy program.

No exceptions were found during the privacy review.

Producer Licensing

The examiners reviewed the company's response to the producer licensing interrogatory, appointment and termination procedures, agency agreements, and commission schedules.

The examiners requested from MSLC a listing of all Wisconsin agents that represented the company as of the date the listing was run. The agent listing data provided by the company was compared to agent database maintained by OCI. The examiners found 20 of the company's agent records included an agent license number that did not match the agent license number in the OCI database. The examiners found seven agents were listed on the OCI database as active with the company that the company showed as terminated. The examiners found 17 agents the company showed as listed that were not shown as listed agents in OCI agent database. The examiners found seven agents that were included in the company's system as active agents, but OCI records showed the agents' licenses had been cancelled by OCI or voluntarily surrendered by the individual between April 16, 1997 and November 18, 2003. Section 628.11, Wis. Stat., requires an insurer to report to the commissioner all appointments, including renewals of appointments, and all terminations of appointments of insurance agents to do business in Wisconsin. Section Ins 6.57 (1), Wis. Adm. Code, requires an insurer to submit an application to the OCI on or before the date of appointment. Section Ins 6.57 (2), Wis. Adm. Code, requires an insurer to notify the OCI prior to or within 30 days of the termination of appointment of an individual intermediary.

25. **Recommendation:** It is again recommended that the company improve existing procedures to ensure that the company reconciles and maintains agent information to coincide with the OCI agent database as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (1), Wis. Adm. Code.
26. **Recommendation:** It is again recommended that the company improve existing procedures to ensure that the company notifies the OCI of agent terminations from the company as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (2), Wis. Adm. Code.

The examiners found that the company had paid a total of \$5,025.89 in commissions to three agents without active company appointments for three group applications written. The company stated that its system edit can be overridden, which allows unlisted agents to have Wisconsin business issued. Section Ins 6.57(5), Wis. Adm. Code, provides that no insurer shall accept business directly from any intermediary or enter into an agency contract with an intermediary unless that intermediary is a licensed agent with that insurer. The examiners found that the company did not reconcile its agent records with the OCI's annual billing statement.

27. **Recommendation:** It is recommended that the company develop and implement a process to ensure that it not accept business nor pay commissions to agents until it receives verification of listing status in order to document compliance with s. Ins 6.57 (5), Wis. Adm. Code.
28. **Recommendation:** It is recommended that the company annually reconcile its agent listing records with the annual billing statement received from OCI.

The examiners found that the company did not have a process, including written procedures for terminating an agent for cause. Section Ins 6.57 (2), Wis. Adm. Code, requires an insurer that has knowledge of problems experienced by the company involving an intermediary being terminated, to submit complete explanations and documentation in writing to OCI within 30 days of the termination.

29. **Recommendation:** It is recommended that the company develop, document, and implement a procedure for terminating an agent for cause as required in s. Ins 6.57 (2), Wis. Adm. Code.

The company's internal procedures provided that the company's agent files included a copy of a welcome letter, agent's license, OCI appointment confirmation, and termination notice. The examiners found three agent appointed files did not include a copy of the welcome letter. The examiners found two file did not contain a Wisconsin license. The examiners found three files did not contain a copy of the appointment confirmation in each file. The examiners found two files did not contain a copy of the termination notice.

30. **Recommendation:** It is recommended that the company follow its internal procedures for maintaining agent files.

The examiners reviewed a random sample of 50 terminated agent files. The examiners found four terminated agent files that did not contain an agent termination letter. Section Ins 6.57 (2), Wis. Adm. Code, requires that the insurer shall provide the agent written notice that the agent is no longer to be listed as a representative of the company and that he or she may not act as its representative.

31. **Recommendation:** It is recommended that the company maintain documentation that terminated agents are sent termination letters as required by s. Ins 6.57 (2), Wis. Adm. Code.

The examiners reviewed a random sample of 50 appointed agent files. The examiners found two agent appointed files included a company appointment date that was more than 15 days prior to the OCI appointment date. Section Ins 6.57 (1), Wis. Adm. Code, states that the effective date of a valid appointment is 15 days prior to the date on which the appointment is entered on the OCI licensing system.

32. **Recommendation:** It is recommended that the company improve existing procedures to ensure that the company notifies the OCI of agent appointments with the company as required by s. Ins 6.57 (1), Wis. Adm. Code.

Terminations, Nonrenewals and Cancellations

The examiners reviewed the company's response to the terminations, nonrenewals and cancellations interrogatory; termination notifications; and a sample of 25 individual terminated files.

The examiners found that one file that did not contain documentation that the company had notified the insured of the Health Insurance Risk Sharing Plan (HIRSP) when the policy was cancelled due to the failure to pay premium. Section 632.785, Wis. Stat., requires an insurer to notify all person affect by a notice of rejection or cancellation of coverage of the existence of the mandatory health insurance risk-sharing plan.

Small Employer Underwriting and Rating

The examiners reviewed the company's response to the small employer underwriting and rating interrogatory, participation requirements and the small employer disclosure notice.

The examiners reviewed a random sample of 50 small employer issued files. The examiners found two small employer issued files in which the rating and renewability form had been given to the employer when the application was completed. Section Ins 8.48 (1), Wis. Adm. Code, requires an agent to provide the small employer with the rating and renewability form before completing an application for a policy.

33. **Recommendation:** It is recommended that the company develop, document, and implement a procedure to ensure the rating and renewability form is provided to a small employer before completing an application for a policy as required by s. Ins 8.48 (1), Wis. Adm. Code.

The examiners found nine small employer issued files contained a copy of waiver form number MSHS.017 0898. The form did not have a warning of the consequences that may be imposed on late enrollees as required by s. Ins 8.65 (2) (c), Wis. Adm. Code. The company stated that the form had been considered outdated and that another approved form (MSHS.017 0402) should have been used. Section Ins 8.65 (2) (c), Wis. Adm. Code, 631.20, Wis. Stat., requires that a small employer insurer secure a waiver, signed by the eligible employee, that includes a written warning of the consequences which may be imposed on late enrollees

34. **Recommendation:** It is recommended that that the company provide notice to its agents and underwriters to discontinue the use and acceptance of waiver forms that do not comply with s. Ins 8.65 (2) (c), Wis. Adm. Code.

The examiners requested a sample of 50 small employer quoted files for review. The company stated that it did not keep its quoted files. Section Ins 6.80 (4), Wis. Adm. Code, requires records of insurance company operations and other financial records reasonably related to insurance operations for the preceding three years to be maintained and be available to the commissioner.

35. **Recommendation:** It is recommended that the company develop, document, and implement a procedure to ensure that all quotes for groups are retained for a period of 3 years as required by s. Ins 6.80 (4), Wis. Adm. Code.

The examiners found two small employer issued files did not include documentation that the disclosure notices were given to the employer at the time the policy was issued or renewed. The company stated that the disclosure notice was given to the employer at the time of application. Section s. Ins 8.44 (2), Wis. Adm. Code, requires a small employer insurer to notify each employer in writing when a policy is issued that if the employer employs less than two or more than 25 eligible employees during at least 50 % of the number of weeks in any 12 month period, or moves the business enterprise outside this state, the protections provided under ch. 635, Wis. Stat., will cease to apply to the employer on renewal of its health benefit plan.

36. **Recommendation:** It is recommended that the company develop, document, and implement a procedure to give the disclosure notice to employers at the time a policy is issued or renewed as required by s. Ins 8.44 (2), Wis. Adm. Code.

Company Operations/Management

The examiners reviewed the company's response to the company operation/management interrogatory, network and vendor contracts, and meeting minutes from the board of directors. The examiners found that the WPPN network had been acquired by the HCN network in September 1991, but that the WPPN contract with had not been updated to reflect this.

The examiners reviewed the company's network contracts to verify that the company had included in its contracts with provider networks a provision under which the contracting entity must promptly respond to complaints and grievances filed with the insurer to facilitate resolution as required by s. Ins 18.03 (2) (c) 1 a, Wis. Adm. Code. The company stated that it had not renewed any contracts since the adoption of the prior exam report and so therefore had not changed the language in the contracts. Section Ins 18.03 (2) (c) 2 a, Wis. Adm. Code, requires insurers to include in each contract between it and its providers, provider networks, and within each agreement governing the administration of provider services, a provision under which the contracting entity must promptly respond to complaints and grievances filed with the insurer to facilitate resolution.

37. **Recommendation:** It is again recommended that the company include in the contracts it has with provider networks a provision under which the provider must identify complaints and grievances and forward them in a timely manner to the preferred provider plan for recording and resolution as required by s. Ins 18.03 (2) (c) 2 a, Wis. Adm. Code.

The examiners' review of the company operations and management, including its functions areas found that the absence of written procedures resulted in a lack of compliance with the company's internal processes and therefore a lack of compliance with recommendations from the prior exam. The prior exam report included recommendations for developing and implementing various procedures to gain compliance with Wisconsin statutes

and administrative codes. The examiners' review and findings also indicates a lack of management oversight and supervision of the company's functional areas to assure ongoing compliance with the requirements of Wisconsin insurance law.

V. CONCLUSION

The examiners found that MSLIC complied with 23 of the 45 recommendations from the previous targeted market conduct examination. Due to the fact that the company writes primarily PPO business and Wisconsin had not promulgated regulations for defined network and PPO plans, eight of the recommendations from the previous market conduct examination involved Wisconsin Statutes or Wisconsin Administrative Codes that changed and were no longer applicable to preferred provider plans. This examination resulted in a total of 37 recommendations in the areas of claims; electronic commerce; grievances and independent review; managed care; marketing, sales and advertising; policyholder service and complaints; producer licensing; small employer underwriting and rating; and company operations/management. The complaint review was limited to the company's process and procedures for reviewing consumer and OCI complaints.

The examination report demonstrates that the company needs to improve its processes for oversight of company activities. The examination report includes significant findings regarding the company's failure to develop a compliance program for the oversight of its PPO business.

VI. SUMMARY OF RECOMMENDATIONS

Claims

- Page 12 1. It is recommended that the company report within 90 days of the adoption of the examination report its plan for developing, documenting and implementing a process for paying interest on all delayed claims in order to comply with s. 628.46, Wis. Stat.
- Page 12 2. It is again recommended that the company pay interest on all delayed claims pursuant to s. 628.46, Wis. Stat.
- Page 13 3. It is recommended that the company develop, document, and implement a procedure that ensures all letters of denial of chiropractic claims sent to chiropractors include language as required by ss. 632.875 (2) (d) and (e), Wis. Stat.

Electronic Commerce

- Page 14 4. It is recommended that the company include in its internal process for maintaining and updating its website a process for ensuring that the provider directories available on its website are current and do not include providers whose contracts have been terminated.

Grievances and Independent Review

- Page 16 5. It is recommended that the company modify its written independent review policies and procedures to allow insureds to bypass its internal grievance procedure as required by s. 632.835 (2) (d), Wis. Stat.
- Page 16 6. It is recommended that the company ensure that the list of certified IROs it provides to insureds is current as required by s. 632.835 (2) (b), Wis. Stat.
- Page 17 7. It is recommended that the company submit the certificate of coverage form GH 862C (02/01) WI to OCI and obtain approval of policy and certificate language regarding the independent review process that includes an explanation of how to obtain a current listing of IROs, as required by s. 632.835 (2) (bg) 1, Wis. Stat.
- Page 17 8. It is recommended that the company develop, document, and implement a process, including a written procedure, for providing information to an IRO within the time periods required by s. 632.835 (3) (g), Wis. Stat.

Managed Care

- Page 19 9. It is again recommended that the company develop, document, and institute procedures to ensure that the medical examining board and other affiliated credentialing boards are notified of any discipline taken against a participating provider as required by s. 609.17, Wis. Stat.

- Page 20 10. It is recommended that the company develop, document, and implement a process for remedial action to address quality problems as required by s. 609.32 (1m), Wis. Stat.
- Page 20 11. It is again recommended that the company establish, document, and operate a compliance program that provides reasonable assurance that the insurer is in compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, as required by s. Ins 9.42 (2) (a), Wis. Adm. Code.
- Page 20 12. It is again recommended that the company establish, document, and operate a compliance program that provides reasonable assurance that any violations of ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, are detected and timely corrections are taken by the insurer as required by s. Ins 9.42 (2) (b), Wis. Adm. Code.
- Page 21 13. It is again recommended that the company establish, document, and operate a compliance program that includes regular internal audits, including regular audits of any contractors or subcontractors who perform functions relating to compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, as required by s. Ins 9.42 (3), Wis. Adm. Code.
- Page 21 14. It is recommended that, within 180 days of notice to MSLIC of the adoption of the report, the company use its best efforts to amend its provider network agreements to require its provider networks to carry out the functions required under ss. 632.83, 609.22, 609.24, 609.30, 609.32 and 609.36, Wis. Stat., as required by s. Ins 9.42 (4) (a), Wis. Adm. Code, and to enforce the contractual provisions under 9.42 (4) (a), Wis. Adm. Code, as required by s. Ins 9.42 (4) (b), Wis. Adm. Code.
- Page 22 15. It is again recommended that the company include and enforce contractual provisions in provider network contracts, which require the provider networks to give the OCI access to documentation demonstrating compliance with ss. 632.83, 609.22, 609.24, 609.30, 609.32, 609.34 and 609.36, Wis. Stat., as required by s. Ins 9.42 (4) (e), Wis. Adm. Code.
- Page 22 16. It is again recommended that the company develop, document, and implement a process documenting that its compliance program provisions to monitor, supervise and audit the quality improvement and assurance, credentialing, utilization review, access, peer review, performance of the provider networks, physician association and pharmacy activities as required by s. Ins 9.42 (4) (c), Wis. Adm. Code.
- Page 22 17. It is again recommended that the company maintain management reports and records to monitor, supervise, and audit the performance of the provider networks as required by s. Ins 9.42 (4) (d), Wis. Adm. Code.
- Page 23 18. It is again recommended that the company regularly audit compliance with contract provisions including audits of internal working papers and reports as required by s. Ins 9.42 (4) (f), Wis. Adm. Code.

Page 23 19. It is recommended that the company revise its network contracts to include language that specifically delegates the credentialing responsibility to the network as required by s. Ins 9.42 (4) (a), Wis. Adm. Code.

Marketing, Sales & Advertising

Page 24 20. It is again recommended that the company document and institute procedures to ensure that its advertising file includes a notation of the manner and extent of distribution as required by s. Ins 3.27 (28), Wis. Adm. Code.

Page 25 21. It is recommended that the company develop, document, and institute a procedure to ensure a copy of the policy advertised is included in the advertising file as required by s. Ins 3.27 (28), Wis. Adm. Code.

Policyholder Service & Complaints

Page 26 22. It is recommended that the company draft and use a letter for employees of terminated groups that informs terminated employees of their right to continuation of coverage in order to comply with s. 632.79 (2), Wis. Stat.

Page 26 23. It is recommended that the company develop, document, and implement a procedure to ensure that it sends a response to any complainant of an OCI complaint within 10 days of receipt of the complaint in order to comply with s. 601.42, Wis. Stat.

Page 27 24. It is recommended that the company develop, document, and implement a procedure to track each record of each complaint submitted to the company and to retain the records at the company's principal office for a period of three years as required by s. Ins 18.06, Wis. Adm. Code.

Producer Licensing

Page 29 25. It is again recommended that the company improve existing procedures to ensure that the company reconciles and maintains agent information to coincide with the OCI agent database as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (1), Wis. Adm. Code.

Page 29 26. It is again recommended that the company improve existing procedures to ensure that the company notifies the OCI of agent terminations from the company as required by s. 628.11, Wis. Stat., and s. Ins 6.57 (2), Wis. Adm. Code.

Page 30 27. It is recommended that the company develop and implement a process to ensure that it not accept business nor pay commissions to agents until it receives verification of listing status in order to document compliance with s Ins 6.57 (5), Wis. Adm. Code.

Page 30 28. It is recommended that the company annually reconcile its agent listing records with the annual billing statement received from OCI.

- Page 30 29. It is recommended that the company develop, document, and implement a procedure for terminating an agent for cause as required in s. Ins 6.57 (2), Wis. Adm. Code.
- Page 30 30. It is recommended that the company follow its internal procedures for maintaining agent files.
- Page 31 31. It is recommended that the company maintain documentation that terminated agents are sent termination letters as required by s. Ins 6.57 (2), Wis. Adm. Code.
- Page 31 32. It is recommended that the company improve existing procedures to ensure that the company notifies the OCI of agent appointments with the company as required by s. Ins 6.57 (1), Wis. Adm. Code.

Small Employer Underwriting and Rating

- Page 33 33. It is recommended that the company develop, document and implement a procedure to ensure the rating and renewability form is provided to a small employer before completing an application for a policy as required by s. Ins 8.48 (1), Wis. Adm. Code.
- Page 33 34. It is recommended that that the company provide notice to its agents and underwriters to discontinue the use and acceptance of waiver forms that do not comply with s. Ins 8.65 (2) (c), Wis. Adm. Code.
- Page 34 35. It is recommended that the company develop, document, and implement a procedure to ensure that all quotes for groups are retained for a period of three years as required by s. Ins 6.80 (4), Wis. Adm. Code.
- Page 34 36. It is recommended that the company develop, document, and implement a procedure to give the disclosure notice to employers at the time a policy is issued or renewed as required by s. Ins 8.44 (2), Wis. Adm. Code.

Company Operations/Management

- Page 35 37. It is again recommended that the company include in the contracts it has with provider networks a provision under which the provider must identify complaints and grievances and forward them in a timely manner to the preferred provider plan for recording and resolution as required by s. Ins 18.03 (2) (c) 2 a, Wis. Adm. Code.

VII. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition, to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination.

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