



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

Oxford Life Insurance Company
2721 North Central Avenue
Phoenix AZ 85004-1120

dated April 8-24, 2002, and served upon the company on December 11, 2002, 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 thirty first day of January, 2003.

Randy Blumer
Acting Commissioner

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

MARKET CONDUCT EXAMINATION

OF

**OXFORD LIFE INSURANCE COMPANY
PHOENIX, ARIZONA**

APRIL 8-24, 2002

TABLE OF CONTENTS

I. INTRODUCTION	3
II. PURPOSE AND SCOPE	8
III. CURRENT EXAMINATION FINDINGS	9
IV. CONCLUSION	26
V. SUMMARY OF RECOMMENDATIONS	27
VI. ACKNOWLEDGEMENT	30



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

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May 1, 2002

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Honorable Connie L. O'Connell
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was made in April 8 to 19, 2002 of:

Oxford Life Insurance Company
Phoenix, Arizona

and the following report is respectfully submitted.

I. INTRODUCTION

Oxford Life Insurance Company (OLIC) was organized and incorporated as a limited capital stock life and disability insurer under the laws of the State of Arizona on July 27, 1965. The company expanded its presence in the credit life and disability marketplace by acquiring the stock of Encore Financial, Inc and Safe Mate Life Insurance Company in November 1997. Encore Financial is a Wisconsin based insurance holding Company, which owns the stock of North American Insurance Company. North American Insurance Company primarily markets credit life and disability and Medicare supplement coverages through credit unions, automobile dealerships and independent finance companies in midwestern and southern states. OCI conducted a market conduct examination of North American Insurance Company in February 2001. North American has offices in Madison, Wisconsin that are responsible for claims administration and policyholder service.

The company is a wholly owned stock subsidiary of AMERCO, a Nevada corporation that is engaged in transportation, insurance and manufacturing operations in the United States and Canada through various subsidiaries.

The company derives its business both from reinsurance and also direct writes a considerable amount of business. The company has generated growth mainly by assuming blocks of life, health and annuity-type business usually consisting of term life, single and flexible premium deferred annuities, excess loss medical and short-term accident coverages. The company has expanded its direct sales efforts by increasing the number of licensed producers and the products they can sell.

Complaints

The Office of the Commissioner Of Insurance received one complaint against the company between January 1, 2000 and December 31, 2001. A complaint is defined as "a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent".

Grievances

The company reported that it had no grievances during the period of review. A grievance is defined as "any 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, and insured."

National Direct Business to Wisconsin Direct Business Summary

	<i>Life Insurance Premiums</i>	<i>Annuity Considerations</i>	<i>A&H Insurance Premiums</i>
Wisconsin	68,219	\$	118,696
National	11,023,471	59,423,256	35,169,392
Wisconsin As % of National	6.19%	NA	3.37%

	<i>Life Insurance Premiums</i>	<i>Annuity Considerations</i>	<i>A&H Insurance Premiums</i>
Wisconsin	77187	90000	21199
National	11,967,597	35,021,685	12,833,382
Wisconsin As % of National	6.45%	2.57%	1.65%

The following table summarizes the company's Medicare supplement business for the last two years:

<i>2000</i>	<i>Incurred Claims</i>			
	<i>Premiums Earned</i>	<i>Amount</i>	<i>Percent of Premiums Earned</i>	<i>Number of Covered Lives</i>
<i>Classification</i>				
Individual policies issued	81,421	66,290	81.4 %	123
Group policies issued	0	0	%	
Total	81,421	66,290	81.4%	123

1999	Classification	Premiums Earned	Incurred Claims	
			Amount	Percent of Premiums Earned
	Individual policies issued	0	0	%
	Group policies issued	0	0	%

The following tables summarize the premium written and benefits paid in Wisconsin for 2000 and 1999:

Wisconsin Health Premium and Benefits Paid Summary

2000			
Line Of Business	Direct Premiums	% of WI Total	Direct Losses Paid
Group Policies	115,359	.97%	80,199
Federal Employees Health Benefits		%	
Credit (Group & Individual)		%	
Collectively Renewable Policies		%	
Other Individual Policies	3,337	3%	2,320
Total	118,696		82,519

1999			
Line Of Business	Direct Premiums	% of WI Total	Direct Losses Paid
Group Policies	21,199	100%	13,642
Federal Employees Health Benefits		%	
Credit (Group & Individual)		%	
Collectively Renewable Policies		%	
Other Individual Policies		%	
Total	21,199		13,642

Wisconsin Life Insurance Business

2000	Ordinary	Credit Life	Group
Direct Premiums & Annuity Considerations			
Life Insurance	55,301		12,917
Annuity Considerations			
Deposit Type Funds			
Direct Claims and Benefits Paid			
Death Benefits			
Annuity Benefits			
All Others	98,784		

<i>1999</i>	<i>Ordinary</i>	<i>Credit Life</i>	<i>Group</i>
Direct Premiums & Annuity Considerations			
Life Insurance	65,602		11,586
Annuity Considerations	90,000		
Deposit Type Funds			
Direct Claims and Benefits Paid			
Death Benefits			36,000
Annuity Benefits			
All Others	12,280		

II. PURPOSE AND SCOPE

The examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination also was conducted based on the recommendations made in the report of the February 2001 examination of North American Insurance Company. North American had reported that it would discontinue marketing Medicare supplement business in Wisconsin, and that Oxford Life Insurance Company would be administering the existing block of business and writing the new business. Oxford Life's policyholder service responsibilities and claims administration are handled by the Madison, Wisconsin office of North American. The examination focused on the period from January 1, 2000 - December 31, 2001. 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 the company's operations in the areas of Medicare supplement and a limited review life of insurance. The functional areas reviewed during the examination were claims for Medicare supplement, company operations, e-commerce, grievances, marketing, sales and advertising, new business and underwriting, policyholder service and complaints, producer licensing, rates and forms and life replacements.

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

III CURRENT EXAMINATION FINDINGS

New Business and Underwriting

Medicare Supplement

The company's underwriting department is responsible for receiving and entering all applications into the MRS (Management Research Services) system, obtaining telephone interviews, and medical records when needed, and issuing and mailing policies. The department is also responsible for declinations. The examiners reviewed the company's response to the new business and underwriting interrogatory, Medicare supplement underwriting guidelines and reports, underwriting audit procedures, and policyholder notices and applications.

The examiners selected a random sample of 50 Medicare supplement new business issued files. The examiners found that the company used application 5256-IMS-A-O-WI that contained in its producer information and statement section the notice "If you are not currently licensed and appointed with Oxford Life, please submit a copy of your license and appointment materials with this application." Section Ins 6.57 (1), Wis. Adm. Code, provides 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. 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 listed with that insurer.

1. **Recommendation:** It is recommended that Oxford Life delete language in its group Medicare supplement application 5056-IMS-A-0 referencing unlicensed and unlisted agents in order to comply with s. Ins. 6.57 (5), Wis. Adm. Code.

The examiners found three of the company's Medicare supplement new business-issued files included in the outline of coverage only the monthly premium amount noted on the premium information worksheet. Section Ins 3.39 (4) (b), Wis. Adm. Code, provides that the

outline of coverage for the policy is substantially in the format prescribed in Appendix 1, and the annual premiums therefore, substantially in the format of sub. (11) of Appendix 1 that provides that the yearly premium be given for the basic coverage and all optional riders.

2. **Recommendation:** It is recommended that Oxford Life develop written procedures for agents to ensure its agents give annual premium information on the Medicare supplement premium information page in order to comply with s. Ins 3.39 (4) (b) and Appendix 1 (11) Wis. Adm. Code.

The examiners found two of the company's Medicare supplement new business-issued files included a North American Insurance Company replacement form and a North American Insurance Company receipt of outline of coverage form instead of the company's forms. Section 628.34 (1) (a), Wis. Stat., provides that no person who is or should be licensed under chs. 600 to 646 and no employee or agent of any such person may make or cause to be made any communication relating to an insurance contract or the insurance business, which contains false or misleading information, including information misleading because of incompleteness. Section Ins 3.39 (23) (d), Wis. Adm. Code, regarding requirements for application forms and replacement coverage provides that notice required by par. (c) for an insurer shall be provided in substantially the form as shown in Appendix 5, Wis. Adm. Code, that requires the insurance company's name and address.

3. **Recommendation:** It is recommended that Oxford Life provide written notice to its agent force within 90 days of adoption of the report that they must discontinue the use of any North American Insurance Company forms, and use only OLIC forms, in order to comply with s. 628.34 (1) (a), Wis. Stat., and s. Ins 3.39 (23) (d) and Appendix 5, Wis. Adm. Code.

The examiners found seven of the company's Medicare supplement new business-issued files included applications (policy nos. 301546, 301910, 302093, 304670, 309837, 308542 and 304475) that indicated applicants were asked medical questions during open enrollment. The company agreed that its agents asked medical questions during open enrollment and should not have done so. Section Ins 3.39 (4m), Wis. Adm. Code, provides that an insurer may not deny or condition the issuance or effectiveness of, or discriminate in the

pricing of, basic Medicare supplement coverage for which an application is submitted prior to or during the 6-month period beginning with the first month in which an individual first enrolled for benefits under Medicare Part B or the month in which an individual turns age 65 for any individual who was first enrolled in Medicare Part B when under the age of 65 on any of the following grounds: 1. Health status. 2. Claims experience. 3. Receipt of health care. 4. Medical condition.

4. **Recommendation:** It is recommended that Oxford Life develop written procedures to advise its agents that medical questions on Medicare supplement applications should not be answered if the application was taken during open-enrollment or guarantee issue situations in order to comply with s. Ins. 3.39 (4m) Wis. Adm. Code.

The examiners found eight of the company's Medicare supplement new business-issued files included replacement forms that were not signed by the writing agent. The company agreed that an individual other than the writing agent, probably another employee in the agent's office, signed the replacement form. The examiners found one of the company's Medicare supplement new business-issued files included a replacement form that was not signed by the agent. The company acknowledged that the replacement notice did not include signatures. Section Ins 3.39 (23) (c) Wis. Adm. Code, provides that an insurer or its agent shall furnish the applicant, prior to issuance or delivery of the Medicare supplement policy or certificate, a notice regarding replacement of accident and sickness coverage. One copy of the notice signed by the applicant and the agent shall be provided to the applicant and an additional signed copy shall be retained by the insurer.

5. **Recommendation:** It is recommended that Oxford Life develop written procedures and training materials to ensure that the actual agent who takes a Medicare supplement application also signs the replacement form in order to comply with s. Ins. 3.39 (23) (c) Wis. Adm. Code.
6. **Recommendation:** It is recommended that Oxford Life develop procedures to ensure that replacement forms for Medicare supplement policies are signed by the agent and the applicant at the time of application as required by s. Ins. 3.39 (23) (c), Wis. Adm. Code.

The examiners found that two of the company's Medicare supplement new business issued files included handwritten information in the Medicare supplement premium information section of the outline of coverage pertaining to monthly premiums, drug discounts and annual association fees. Section Ins 3.39 (4) (b) 7, Wis. Adm. Code, provides that the outline of coverage for the policy contain a listing of the required basic coverages and the permissible additional coverage and the annual premiums in substantially in the same format as in the premium Information page of the outline of coverage. The regulation does not allow other information concerning discount drugs and association fees to be noted on the premium information page.

7. **Recommendation:** It is recommended that Oxford Life develop written training procedures for agents, which details information that is required to be on the premium information page of the outline of coverage in order to document compliance s. Ins 3.39 (4) (b) 7, Wis. Adm. Code.

Life Insurance

The examiners reviewed the company's response to the new business and underwriting interrogatory for its individual life insurance business. The examiners also reviewed the company's underwriting process and procedures, replacement and suitability procedures, field underwriting guidelines, rate and underwriting manuals, and advertisements.

The company wrote a limited amount of life insurance business in the state of Wisconsin during the period of review. In response to OCI's data request, the company indicated that it received 14 applications for Wisconsin insureds requesting life insurance coverage. The company approved all the applications submitted. The examiners found that none of the life insurance applications written for Wisconsin applicants involved the surrender of other single premium whole life products. The examiners reviewed the 19 life insurance underwriting files, consisting of 14 applications written during the period of review and 5 applications that were already in force. The examiners found that one of the company's life underwriting files did involve a replacement situation, although the file did not include a copy of a replacement form. Section Ins 2.07 (3), Wis. Adm. Code, defines replacement as replacement as any transaction in which new life insurance is to be purchased and existing individual life insurance has been, may possibly be, or is to be lapsed, surrendered, converted into paid-up insurance, become extended insurance is utilized for use in the future in connection with the purchase of new insurance. Section Ins 2.07, (5) (a) 3, Wis. Adm. Code, provides that if agents are involved with the solicitation of life insurance or annuities on residents of this state, every authorized insurer shall inform its agents of the requirements of this section and keep a copy of the statements on file with the application for at least 3 years indexed so as to be readily available to the office of the commissioner of insurance.

8. **Recommendation:** It is recommended Oxford Life develop written procedures for agents and underwriting personnel regarding the replacement of life insurance policies and disclosure requirements in order to comply with s. Ins 2.07 (3) & (5) (a) 3, Wis. Adm. Code.

Marketing, Sales and Advertising

The company's compliance department maintains a file of advertisements that it had approved, and of those it had filed for approval with state insurance departments. The examiners reviewed the company's response to the marketing, sales and advertising interrogatory and the Medicare supplement and life insurance advertisements it used in the state of Wisconsin.

The examiners reviewed the company's advertising file. The examiners found that the company had filed only 1 Medicare supplement advertisement in the state of Wisconsin since 1999. Form number ADV-GMS-0-NS-2(rvl) was filed on 10/20/99. The examiners reviewed the 4 life insurance advertisements used by the company in Wisconsin. The examiners found that the company retained copies of all advertisements for three years from the date the advertisement was last used or until the next market conduct examination, whichever was longer. The company's only method of public advertising was product brochures. The company did advertise in industry magazines, but only agent recruitment.

The examiners found that the company did not have written procedures for agents who want to advertise company products or use their own website to advertise Medicare supplement business. The company did have an agent newsletter that advised agents of changes in policies, coverage, and state and federal laws. Section Ins 3.27 (27) (b), Wis. Adm. Code, provides that an insurer shall require its agents and any other person or agency acting on its behalf in preparing advertisements to submit proposed advertisements to it for approval prior to use.

9. **Recommendation:** It is recommended that OLIC develop written procedures for agents who solicit its Medicare supplement policies that requires the submission to the company of all proposed advertisements for approval prior to use in order to comply with s. Ins. 3.27 (27) Wis. Adm. Code.

Producer Licensing

For the period until June 2001, the Madison, Wisconsin office of North American Insurance Company handled producer licensing and listing activity for agents who wrote the company's Medicare supplement business. Beginning June 2001, the company's Phoenix marketing and agency support department began assisting the Madison office in submitting agent listings for its Medicare supplement intermediaries. Listings for all other intermediaries were handled by the Phoenix marketing and agency support department. The company's agency department in Madison was responsible for all appointments, maintaining agent files, processing agent terminations, providing agent service, and providing marketing material to the agents. The company indicated that it was in the process of converting its agent files to an imaging system.

The examiners reviewed the company's response to the producer licensing interrogatory, its agency procedure manual, appointment and termination process, and agent sales reports. The examiners had conducted a review of the agent files during the North American Life examination, to verify that all agents were listed and that it had a process for verifying agent listing status. This examination included a review of producer licensing recommendations made in the North American Life examination report.

The examiners requested from the company a listing of all agents licensed and appointed in Wisconsin at the time the company ran the report for the examination. The agent licensing data provided by the company was compared to the agents' database maintained by OCI. The examiners found 6 agents that were included in the company's database as representing the company but were not included in OCI's agents' database as being listed with the company in accordance with s. Ins 6.57 (1), Wis. Adm. Code. The company reported that 5 of these 6 agents wrote a total of 74 applications for coverage. The examiners did note that 4 of the 6 agents had at one time been listed with North American Insurance Company. Section Ins

6.57 (1), Wis. Adm. Code, provides that submission of an application for an intermediary-agent appointment shall initiate the appointment of an agent in accordance with s. 628.11, Stats. 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. Section Ins 6.57 (5) (b), Wis. Adm. Code, states no insurer shall accept business directly from any intermediary or enter into an agency contract with an intermediary is a licensed agent listed with that insure.

The examiners found that OCI's agent database showed 8 agents as listed with the company, but were not included the data provided by the company. Section Ins 6.57 (2), Wis. Adm. Code, provides that a notice of termination of appointment of individual intermediaries shall be filed with OCI prior to or within 30 calendar days of the termination.

10. **Recommendation:** It is recommended that Oxford Life develop written procedures to ensure that agent information concerning listings, terminations and state licensing is accurate, current in order to demonstrate compliance with s. Ins 6.57 (1) and (2), Wis. Adm. Code.

11. **Recommendation:** It is recommended that Oxford Life develop a process whereby it can not accept applications from agents who do not have active listings with the company for the state of Wisconsin in order to comply with s. Ins 6.57 (5) (b), Wis. Adm. Code.

The examiners also conducted a comparison of agent database for North American Insurance Company with that of OCI. The examiners found 199 agent names that the company's agents' database indicated were listed but that were not included in OCI's agents' database as listed with the company. The company stated that in May and June 2001, it began the clean up of agent files. The examiners also found 42 agents that OCI's agents' database showed listed with North American but that were not included in the company's agent data for North American. Section 628.11, Wis. Stat., provides that an insurer shall report to the commissioner at the intervals the commissioner established under s. Ins 6.57, Wis. Adm. Code all appointments, including renewals of appointments, and all termination of appointments of insurance agents to do business in this state, and shall pay the fees prescribed under s. 601.31 (1) (n).

12. **Recommendation:** It is recommended that OLIC file with OCI an electronic listing of those North American Insurance Company agents that have current listings or those whose listings were terminated in order to document compliance with s. 628.11, Wis. Stat.

The examiners reviewed a random sample of the company's agent files, including 25 appointed agent files, and 10 terminated agent files. The examiners found that 7 of the company's agent files indicated that company had not listed the agents with OCI until between one and three months after the agent signed a contract with the company and that the agents had written 21 applications for coverage. Section Ins 6.57 (1), Wis. Adm. Code, provides submission of an application for an intermediary-agent appointment shall initiate the appointment of an agent in accordance with s. 628.11, Stats. The application shall be submitted to the office of the commissioner of insurance on or before the date of appointment and shall show the lines of authority being requested for that agent. An appointment shall become valid upon receipt of the agent appointment validation report by the person submitting the appointment and is valid only for the lines of insurance requested. 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.

13. **Recommendation:** It is recommended that Oxford Life ensure that it has executed agreements with agents prior to allowing them to write business with the company in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.

The examiners found that the company did not have written procedures to verify that applications and premiums were promptly returned if received from unlicensed or unlisted agents. Section Ins 6.57 (5), Wis. Adm. Code, states no insurer shall accept business directly from any intermediary or enter into an agency contract with an intermediary is a licensed agent listed with that insure.

14. **Recommendation:** It is recommended that Oxford Life develop procedures to ensure that it does not accept business from an intermediary unless the intermediary is licensed and listed with the insurer in order to document compliance with s. Ins 6.57 (5), Wis. Adm. Code.

The examiners found that the company's agent termination notice did not include a formal demand for the return of indicia. Section Ins 6.57 (2), Wis. Adm. Code, requires that prior to or within 15 days of filing a termination notice, the insurer shall provide the agent written notice that the agent is no longer to be listed as its representative of the company. The notice shall also include a formal demand for the return of all indicia of agency.

15. **Recommendation:** It is recommended that Oxford Life draft a termination letter that includes a request for the return of indicia and use this letter for all agent terminations from the date of the adoption of the examination report in order to comply with s. Ins 6.57(2), Wis. Adm. Code.

The examiners reviewed a random sample of 30 of the company's agent files in order to document that the commission schedules for its Medicare supplement policies complied with the Medicare supplement commission limitations. In response to an interrogatory, the company provided 2 commission schedules that were not in compliance. The examiners found 3 agent files included commission schedules for Medicare supplement policies that indicated the company was paying first year commissions in excess of those allowed. Section Ins 3.39 (21), Wis. Adm. Code, provides that an issuer may provide and an agent or other representative may accept commission or other compensation for the sale of a Medicare supplement policy or certificate only if the first year commission or other first year compensation is a least 100% and no more than 150% of the commission or other compensation paid for selling or servicing the policy or certificate in the 2nd year.

16. **Recommendation:** It is recommended that Oxford Life develop audit procedures and conduct periodic reviews of the commissions paid on its Medicare supplement policies, and it provide OCI a copy of its procedures and audit findings no later than 90 days after the adoption of this report in order to document compliance with s. Ins. 3.39 (21), Wis. Adm. Code.

17. **Recommendation:** It is recommended that Oxford Life correct existing schedule of compensation agreements with agents marketing Medicare supplement policies in Wisconsin in order to comply with s. Ins. 3.39 (21), Wis. Adm. Code.

Medicare Supplement Claims

The examiners reviewed the company's response to the claims interrogatory, claim reports, explanation of benefits (EOB) form, anti-fraud plan, and auditing reports and procedures. The examiners found that the company included with its EOBs a copy of its grievance procedure in order to comply with s. Ins 18.03 (2), Wis. Adm. Code.

The company stated that it was in the process of creating a policy and procedure manual for its health claim department, and a detailed training manual. At the time of examination, the company's claims administration involved making claim benefit determination by following the outlines of coverage in the actual policies. The company reported that the majority of its claims are processed electronically, and that it monitored any backlog of claims daily. The company had a process for applying interest to claims that were not paid within 30 days.

The examiners selected a random sample of the company's Medicare supplement claims including 100 paid claims, and 50 denied claims. The examiners found that the EOBs provided for the claim sample did not include the appropriate claim adjustment reason codes (ANSI codes). Section Ins 3.651 (4), Wis. Adm. Code, provides the explanation of benefits form for insureds shall include insurers name, address, insureds name, address, health care provider, date of service, amount charged by the provider, amount allowed by insurer and claim adjustment reason codes (ANSI).

- 18. Recommendation:** It is recommended that Oxford Life ensure that it use ANSI codes as claim adjustment reason codes on all explanation of benefit and remittance advice forms as required by s. Ins 3.651, Wis. Adm. Code.

The examiners found one file of the 100 paid claims reviewed was not paid within 30 days of receipt. Section 628.46, Wis. Stat., provides that an insurer shall promptly pay every insurance claim. 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.

Policyholder Service, Complaints, and Grievances.

The company's policyholder service responsibilities were handled by the Madison, Wisconsin office of North American Insurance Company. The policyholder service department was responsible for the review, issuance and declination of all new applications. It was also responsible for all post issue policy changes. The company's compliance department maintained the company's complaint log. The company required that its compliance director review its complaint log.

The examiners reviewed the company's policyholder service manual and found it included a written procedure for open enrollment into a Medicare supplement policy. The examiners found that the company's procedure (E under TopicNumber PHS701-PHSSUP-26) regarding open enrollment was titled "Guarantee Issue qualifications". Guarantee issue and open enrollment are two different concepts as applied to Medicare supplement policies. The examiners found that the procedure could create confusion if an agent or company representative used the incorrect terminology. Section Ins 3.39 (4m), Wis. Adm. Code, provides that an applicant need not fill out the medical questions asked in a Medicare supplement application if that application is submitted prior to or during the 6-month period beginning with the first month an individual first enrolled for benefits under Medicare Part B or the month in which an individual turns age 65 for any individual who was first enrolled in Medicare Part B when under the age of 65. Section Ins 3.39 (34) (a), Wis. Adm. Code, regarding guaranteed issue for eligible persons, provides eligible persons are those individuals described in par. (b) who apply to enroll under the policy not later than 63 days after the date of the termination of enrollment from group coverage, another Medicare supplement policy or a Medicare+choice plan, and who submit evidence of the date of termination or disenrollment with the application for a Medicare supplement policy.

19. **Recommendation:** It is recommended that Oxford Life change its Medicare supplement procedures to correctly reference open enrollment instead of guarantee issue, where appropriate, in order to comply with s. Ins 3.39 (4m), Wis. Adm. Code.

The examiners reviewed the company's response to the policyholder service, complaints, and grievance interrogatory, complaints handling procedures, complaint reports, complaint log, and grievance and benefit appeals procedure.

The company's claims department handles Medicare supplement grievances. The examiners found that the company's grievance procedures are the same as those used by North American Insurance Company. The company's Medicare supplement claims department logs written grievances and benefit appeals onto a spreadsheet and retains a copy of the formal response to the grievant.

The examiners found that the company's grievance procedure did not comply with s. Ins 18.03 (3) Wis. Adm. Code. The company's grievance procedures included multiple levels of grievance review. The company's first level of review involved expedited review of grievances, which must be responded to within 10 business days after the review of the supporting documentation. The company's second level (informal reconsideration) provided that an insured had up to 2 years after the denial of a request for a covered service to file a grievance. If this denial is upheld the insured had a third level (formal appeal). The company stated its procedure allowed between 30 and 60 days to respond to the insured. The company's fourth level of review was the external independent review. Section Ins 18.03 (3) provides that a person who filed a grievance has the right to appear in person, a written notification to the insured of the time and place of the grievance meeting at least 7 days before the meeting, within 5 business days of receipt of the grievance the company shall send an acknowledgement, a grievance shall be resolved within 30 days of receipt of the grievance with an additional 30 days of review if the grievance could not be resolved within the first 30 days, and the expedited grievance procedure must be answered within 72 hours after receipt of the grievance.

20. **Recommendation:** It is recommended that Oxford Life submit to OCI within 90 days of adoption of this report its grievance procedure language for its Medicare supplement policies along with internal grievance procedure language that complies with s. Ins 18.03 (3), Wis. Adm. Code.

The examiners found that OLIC had failed to submit annual benefit appeal reports for 2000 and 2001. Section Ins 3.55 (5), Wis. Adm. Code, provides that an insurer shall report to the commissioner by March 31 of each year a summary of all benefit appeals filed during the previous calendar year and the disposition of these appeals.

21. **Recommendation:** It is recommended that Oxford Life submit to OCI on an annual basis summary of all benefit appeals filed regarding its Medicare supplement policies during the previous year and the disposition of these appeals in order to comply with s. Ins 3.55 (5), Wis. Adm. Code.

Rates and Forms

The company's compliance department was responsible for the submission to OCI of its individual life and its Medicare supplement rate and form filings. The department also was responsible for researching specific state requirements for each form filing, and for completing the transmittal form and certificate of compliance.

The examiners reviewed the company's response to the rate and form interrogatory, the responsibilities of the compliance department, the manner in which agents and staff are made aware of changes in Wisconsin insurance laws, and the company's approved Medicare supplement and individual life policy forms. The examiners also compared the company's listing of policy forms with OCI's listing of the company's approved forms. The examiners found that the company had not submitted amended forms to OCI in order to comply with chapter Ins 18 Wis. Adm. Code, which became effective December 1, 2001.

22. **Recommendation:** It is recommended that Oxford Life amend its policy forms and submit the amended forms to OCI for review and approval in order to comply with the requirements of chapter Ins 18, Wis. Adm. Code.

Electronic Commerce

The company's information systems (IS) department was responsible for overseeing internet and website activities. The company's marketing department was responsible for managing website development and establishing future direction and goals. The company had a project manager of web and e-commerce who acted as webmaster. The examiners found that all changes to the website were made through a single user ID, and that physical access to the web server was limited.

The examiners review the company's website. The examiners found that the company's website did not offer application information. The website did provide information on how to contact the company and receive application information. The company also had an agent website that provided information on applications, brochures, disclosures, and notices for use by the company's agent force. This was a secure website and required the use of a password.

No exceptions were note.

IV. CONCLUSION

The examination involved a review of Oxford Life's insurance practices and procedures for the period January 1, 2000 through December 31, 2001. The examination report makes 22 recommendations. Some of the recommendations result from Oxford Life's purchase of North American Insurance Company and the reorganization that resulted in Oxford Life assuming the Medicare supplement business. The recommendations in the examination report involve primarily the company's new business and underwriting activities for its Medicare supplement business, and its producer licensing activities.

V. SUMMARY OF RECOMMENDATIONS

New Business and Underwriting

- Page 09 1. It is recommended that Oxford Life delete language in its group Medicare supplement application 5056-IMS-A-0 referencing unlicensed and unlisted agents in order to comply with s. Ins. 6.57 (5), Wis. Adm. Code.
- Page 10 2. Its agents give annual premium information on the Medicare supplement premium information page in order to comply with s. Ins 3.39 (4) (b) and Appendix 1 (11) Wis. Adm. Code.
- Page 10 3. It is recommended that Oxford Life provide written notice to its agent force within 90 days of adoption of the report that they must discontinue the use of any North American Insurance Company forms, and use only OLIC forms, in order to comply with s. 628.34 (1) (a), Wis. Stat., and s. Ins 3.39 (23) (d) and Appendix 5, Wis. Adm. Code.
- Page 11 4. It is recommended that Oxford Life develop written procedures to advise its agents that medical questions on Medicare supplement applications should not be answered if the application was taken during open-enrollment or guarantee issue situations in order to comply with s. Ins. 3.39 (4m) Wis. Adm. Code.
- Page 11 5. It is recommended that Oxford Life develop written procedures and training materials to ensure that the actual agent who takes a Medicare supplement application also signs the replacement form in order to comply with s. Ins. 3.39 (23) (c) Wis. Adm. Code.
- Page 11 6. It is recommended that Oxford Life develop procedures to ensure that replacement forms for Medicare supplement policies are signed by the agent and the applicant at the time of application as required by s. Ins. 3.39 (23) (c), Wis. Adm. Code.
- Page 12 7. It is recommended that Oxford Life develop written training procedures for agents, which details information that is required to be on the premium information page of the outline of coverage in order to document compliance s. Ins 3.39 (4) (b) 7, Wis. Adm. Code.
- Page 13 8. It is recommended Oxford Life develop written procedures for agents and underwriting personnel regarding the replacement of life insurance policies and disclosure requirements in order to comply with s. Ins 2.07 (3) & (5) (a) 3, Wis. Adm. Code.

Marketing, Sales and Advertising

- Page 14 9. It is recommended that OLIC develop written procedures for agents who solicit its Medicare supplement policies that requires the submission to the company of all proposed advertisements for approval prior to use in order to comply with s. Ins. 3.27 (27) Wis. Adm. Code.

Producer Licensing

- Page 16 10. It is recommended that Oxford Life develop written procedures to ensure that agent information concerning listings, terminations and state licensing is accurate, current in order to demonstrate compliance with s. Ins 6.57 (1) and (2), Wis. Adm. Code.
- Page 16 11. It is recommended that Oxford Life develop a process whereby it can not accept applications from agents who do not have active listings with the company for the state of Wisconsin in order to comply with s. Ins 6.57 (5) (b), Wis. Adm. Code.
- Page 17 12. It is recommended that OLIC file with OCI an electronic listing of those North American Insurance Company agents that have current listings or those whose listings were terminated in order to document compliance with s. 628.11, Wis. Stat.
- Page 17 13. It is recommended that Oxford Life ensure that it has executed agreements with agents prior to allowing them to write business with the company in order to document compliance with s. Ins 6.57 (1), Wis. Adm. Code.
- Page 18 14. It is recommended that Oxford Life develop procedures to ensure that it does not accept business from an intermediary unless the intermediary is licensed and listed with the insurer in order to document compliance with s. Ins 6.57 (5), Wis. Adm. Code.
- Page 18 15. It is recommended that Oxford Life draft a termination letter that includes a request for the return of indicia and use this letter for all agent terminations from the date of the adoption of the examination report in order to comply with s. Ins 6.57(2), Wis. Adm. Code.
- Page 18 16. It is recommended that Oxford Life develop audit procedures and conduct periodic reviews of the commissions paid on its Medicare supplement policies, and it provide OCI a copy of its procedures and audit findings no later than 90 days after the adoption of this report in order to document compliance with s. Ins. 3.39 (21), Wis. Adm. Code.
- Page 19 17. It is recommended that Oxford Life correct existing schedule of compensation agreements with agents marketing Medicare supplement policies in Wisconsin in order to comply with s. Ins. 3.39 (21), Wis. Adm. Code.

Medicare Supplement Claims

- Page 19 18. It is recommended that Oxford Life ensure that it use ANSI codes as claim adjustment reason codes on all explanation of benefit and remittance advice forms as required by s. Ins 3.651, Wis. Adm. Code.

Policyholder Service, Complaints, and Grievances.

- Page 21 19. It is recommended that Oxford Life change its Medicare supplement procedures to correctly reference open enrollment instead of guarantee issue, where appropriate, in order to comply with s. Ins 3.39 (4m), Wis. Adm. Code.
- Page 22 20. It is recommended that Oxford Life submit to OCI within 90 days of adoption of this report its grievance procedure language for its Medicare supplement policies along with internal grievance procedure language that complies with s. Ins 18.03 (3), Wis. Adm. Code.
- Page 22 21. It is recommended that Oxford Life submit to OCI on an annual basis summary of all benefit appeals filed regarding its Medicare supplement policies during the previous year and the disposition of these appeals in order to comply with s. Ins 3.55 (5), Wis. Adm. Code.
- Page 23 22. It is recommended that Oxford Life amend its policy forms and submit the amended forms to OCI for review and approval in order to comply with the requirements of chapter Ins 18, Wis. Adm. Code.

VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended 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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Respectfully submitted,

Jerry Zimmer
Examiner-in-Charge