



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

TIME INSURANCE COMPANY
501 W MICHIGAN STREET
MILWAUKEE WI 53203-2706

dated April 4, 2008, and served upon the company on April 16, 2009, 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 11th day of December, 2009.

A handwritten signature in black ink, appearing to read "Sean Dilweg".

Sean Dilweg
Commissioner of Insurance

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

MARKET CONDUCT EXAMINATION

OF

**TIME INSURANCE COMPANY
MILWAUKEE, WISCONSIN**

FEBRUARY 11-29, 2008

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April 4, 2008

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Honorable Sean Dilweg
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted February 11, 2008 to February 29, 2008 of:

TIME INSURANCE COMPANY
Milwaukee, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Time Insurance Company (the "company") is a Wisconsin-domiciled stock life insurance company. It was incorporated in Wisconsin on February 11, 1910, under the name Time Insurance Company, and commenced business on March 6, 1910. In April 1969, Time Holdings, Inc., was formed to become the parent company of Time Insurance Company and enable the marketing of a total package of financial services through various subsidiary organizations. During 1978, control of Time Holdings, Inc., was acquired by N.V. AMEV, a financial services concern located in the Netherlands. On January 1, 2004, the company was an indirect owned subsidiary of Fortis, Inc., which itself was an indirect, wholly owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium. On February 5, 2004, Fortis sold approximately 65% of its interest to Fortis, Inc. In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc., a Delaware corporation, which was formed solely for the purpose of the redomestication of Fortis, Inc. On September 6, 2005, Fortis changed its name to Time

Insurance Company. Time Insurance Company is an indirect, wholly owned subsidiary of Assurant, Inc. Assurant, Inc. is traded in the New York Stock Exchange under the symbol AIZ. Time Insurance Company's primary business is the issuance of accident and health insurance.

In 2000, the company entered into a reinsurance agreement with John Hancock Life Insurance Company for the sale of the long-term care line of business. In 2001, the company entered into a reinsurance agreement with Hartford Life Insurance Company for the sale of its Fortis Financial Group division. This business includes, among other blocks of business, certain life insurance policies and annuity contracts written by the company.

The company is licensed in 48 states and the District of Columbia. The company's major products are individual major medical, short-term medical, student health insurance and small group employer group health insurance sold through a network of independent agents and third party administrators. The company also provides consumer-choice products such as health savings accounts and health reimbursement arrangements. The company offers coverage through preferred provider network plans. The company writes association business, through Health Advocates Alliance, situated in Illinois, and trust business.

In 2007, the company ranked as the 29th largest writer of group accident and health, and 63rd largest of individual accident and health in Wisconsin. The company ranked as the 27th largest writer of group health insurance in 2006. The company ranked 30th as a writer of small employer business for 2007, and 27th for 2006.

In 2005 and 2006 the company reported written premium in all states where it is licensed. The following table summarizes the total direct national premium written in 2006 and 2005, as compared it to the total direct premium written in Wisconsin:

National Direct Business to Wisconsin Direct Business Summary

2006	Life Insurance Premiums	A&H Insurance Premiums
Wisconsin	\$3,785,356	\$59,315,872
National	\$56,323,400	\$1,420,162,487
Wisconsin As a % of	0.067%	0.042%

National		
2005		
	Life Insurance Premiums	A&H Insurance Premiums
Wisconsin	\$4,225,795	\$62,227,936
National	\$60,825,104	\$1,388,570,072
Wisconsin As a % of National	0.069%	0.044%

The majority of the premium written by the company in 2006 and 2005 was for group accident and health insurance. The following tables summarize the premium written and benefits paid in Wisconsin for 2005 and 2006:

Wisconsin Premium and Benefits Paid Summary

2006			
Line of Business	Premium Written	% of WI Total	Benefits Paid
Group Policies	\$866,963,601	66%	\$571,494,550
Guaranteed Renewable	\$3,638,766	0.27%	\$3,155,850
Non-Renewable for Stated Reason Only	\$410,049,747	31%	\$246,551,449
Other Accident Only	0	-	\$(-353,072)
All Other	\$31,449,152	2.4%	\$14,892,829
Total	\$1,312,101,266		\$835,741,534

2005			
Line of Business	Premium Written	% of WI Total	Benefits Paid
Group Policies	\$875,115,659	68%	\$529,436,284
Guaranteed Renewable	\$3,150,896	0.25%	\$2,046,350
Non-Renewable for Stated Reason Only	\$364,633,410	28.5%	\$259,059,870
Other Accident Only	\$30		\$381,435
All Other	\$37,243,052	3%	\$17,600,186
Total	\$1,280,143,047		\$808,516,258

Complaints

The Office of the Commissioner of Insurance (OCI) received 239 complaints against the company between January 1, 2005 through December 1, 2007. A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.' Seventy-three percent of the complaints received were classified as group health insurance. These complaints included individual major medical

certificates and short term medical certificates sold through Health Advocate Alliance Association.

The company ranked 7th on the 2007 complaint summary for group accident and health insurance with 38 complaints and a complaint ratio of .07 compared to a Wisconsin average of .02 per \$100,000 of written premium. It ranked 3rd on the 2006 complaint summary for group accident and health insurance with 44 complaints and a complaint ratio of .08 compared to a Wisconsin average of .02 per \$100,000 per written premium.

The following table categorizes the complaints received against the company by type of policy and complaint reason. Most of the complaints filed involved claim denial and preexisting condition restrictions. In 2006, there were 5 complaints filed regarding agent handling versus 1 complaint in 2007. Policyholder service included return of premium delays, policy change delays and continuation coverage issues.

2007						
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.	No.
Individual A&H	23	3	3	13	3	1
Group A&H	31	1	2	23	4	1
Other	4				4	
Total	60	4	5	36	11	2

2006						
Reason Type	Total	Underwriting	Marketing & Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.	No.
Individual A&H	14	1	1	10	1	1
Group A&H	53	2	4	40	5	2
Other	2					
Total	72	3	5	50	6	3

Grievances

The company submitted annual grievance report to the OCI for 2005 and 2006 as required by s. Ins 18.06, Wis. Adm. Code. A grievance is defined as "any dissatisfaction with

the provision of services or claims practices of an insurer offering 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 2005 indicates the company received 182 grievances; 71 or 39% were reversed. The majority of the grievances filed with the company in 2005 were related to plan administration. The grievance report for 2006 indicates the company received 87 grievances; 24 or 28% were reversed. The majority of the grievances are equally split between not covered benefits and plan administration issues.

The following table summarizes the grievances for the company for the last two years:

Category	2005	2006
Access to Care	1	0
Continuity of Care	0	0
Prescription Drug	1	0
Emergency Services	0	0
Experimental Treatment	7	0
Prior Authorization	4	0
Noncovered Benefits	50	42
Non Medically Necessary	25	0
Other	4	3
Plan Administration	89	42
Plan Providers	0	0
Request for Referral	0	0
Total	182	87

Resolution Categories		
Plan Administration	98	42
Benefit Denial	84	42
Quality of Care	0	3
Total	182	87

Independent Review Organization

Independent Review Organizations (IROs) certified to do reviews in Wisconsin are required to submit to the OCI annual reports for the prior calendar year's experience indicating

the names of the insurance companies and whether the action on the claims was upheld or reversed. Issues eligible for independent review include adverse and experimental treatment determinations. The IRO reports indicate that for both 2005 and 2006 the company had six IRO requests filed involving Time Insurance Company.

The following tables summarize the IRO review requests for the company for the last two years:

2005

Total Review Requests Received	Independent Review Organizations				Number of Decisions		
	I PRO	Medical Review Inst of America	Permedion	Maximus-CHDR	Upheld	Reversed	Average Number of Days to Resolve
1		1	0	0	1	0	20

2006

Total Review Requests Received	Independent Review Organizations				Number of Decisions		
	I PRO	Medical Review Inst of America	Permedion	Maximus-CHDR	Upheld	Reversed	Average Number of Days to Resolve
5	1	2	2	0	4	1	29

II. PURPOSE AND SCOPE

A targeted examination was conducted to determine compliance with the previous market conduct examination, and whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the individual and group health lines of business for Time Insurance Company and its association group.

The period of review for this examination was from January 1, 2005 through September 30, 2007. The examination was limited to a review of company's operations and practices in the areas of claims; company operations/management; electronic commerce; grievance & IRO; managed care; marketing, sales & advertising; policyholder service & complaints; producer licensing; small employer; new business & underwriting and privacy. The examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

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 March 4, 2005, contained 45 recommendations. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

PRODUCER LICENSING

1. It is recommended that the company revise its producer licensing procedures to include periodic audits of its agent data base for accuracy of information and to annually reconcile its agent listing records with the annual renewal billing statement received from OCI to ensure that the company does not accept business from agents not listed to represent the company in order to document compliance with s. 628.11, Wis. Stat., and s. Ins 6.57 (5), Wis. Adm. Code.

Action: Non-Compliance

2. It is recommended that the company revise its producer licensing 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: Non-Compliance

3. It is recommended that the company revise its producer licensing procedures to ensure that agents terminated for any reason are sent the notice required by s. Ins 6.57 (2), Wis. Adm. Code.

Action: Compliance

SMALL EMPLOYER

4. It is recommended that the company either discontinue using the brochure entitled, "Employer Administration Guide," in Wisconsin or revise information in the brochure to comply with the requirements of ss. 632.895 (5) and 632.896, Wis. Stat.

Action: Compliance

5. It is recommended that the company revise the information in its brochure entitled, "Employer Administration Guide" for Wisconsin insured to comply with the grievance requirements of s. Ins 18.03 (3), Wis. Adm. Code.

Action: Non-Compliance

6. It is recommended that the company revise its small employer rating procedures and discontinue including occupation as a case characteristic when calculating small employer group rates in compliance with the requirements of s. 635.02, Wis. Stat.

Action: Compliance

7. It is recommended that the company identify those groups that were rated incorrectly as a result of this practice, recalculate the rates charged, and issue refunds where necessary in order to comply with s. 632.02, Wis. Stat.

Action: Compliance

8. It is recommended that the company recalculate the rates for the 33 identified groups that were issued rates in 2001 outside of the rate band, and make refunds where necessary in order to comply with the requirements of s. Ins 8.52, Wis. Adm. Code.

Action: Compliance

9. It is recommended that the company revise its procedures for providing quotes for small employer business to include recording the dates the requests for price quotes are received in order to comply with s. 601.42, Wis. Stat.

Action: Compliance

10. It is recommended that the company cease requiring that a small employer be in business for any minimum period of time before being eligible to apply for and have issued a group health insurance policy in order to comply with the requirements of s. 635.19, Wis. Stat.

Action: Compliance

11. It is recommended that the company revise its minimum participation requirements for new groups by deleting the minimum participation requirements for dependents to comply with the requirements of s. Ins 8.46 (2), Wis. Adm. Code.

Action: Non-Compliance

12. It is recommended that the company revise the disclosure notice used to satisfy the requirements of s. Ins 8.44 (2) Wis. Adm. Code to correctly state the number of employees that constitute a small employer group as defined by s. 635.02 (7), Wis. Stat.

Action: Compliance

ELECTRONIC COMMERCE

13. It is recommended that the company implement a process to monitor websites of individual agents that contain material pertaining to the company and its products to ensure compliance with all of the requirements of s. Ins 3.27, Wis. Adm. Code.

Action: Compliance

POLICYHOLDER SERVICE & COMPLAINTS

14. It is recommended that the company revise its procedures to include a formal definition of complaint that complies with the definition in s. Ins 18.01 (2), Wis. Adm. Code

Action: Compliance

15. It is recommended that the company revise the manner in which it keeps a record of complaints so that it can make its complaint records available to OCI for review in order to comply with the requirements of s. Ins 18.06 (1), Wis. Adm. Code.

Action: Non-Compliance

GRIEVANCE & INDEPENDENT REVIEW

16. It is recommended that the company revise its internal grievance procedure and manuals to comply with all of the requirements of s. Ins 18.03 (3), Wis. Adm. Code.

Action: Non-Compliance

17. It is recommended that the company refer all grievances involving quality issues to its grievance committee, and include these grievances in its annual grievance experience report submitted to the OCI in order to comply with ss. Ins 18.03 and Ins 18.06, Wis. Adm. Code.

Action: Compliance

18. It is recommended that the company revise its written grievance procedures and manuals to remove the provision that limits an insured's right to file a grievance to 60 days from the date the insured receives notification of an initial appeal determination in order to comply with s. Ins 18.03 (3), Wis. Adm. Code.

Action: Compliance

19. It is recommended that the company improve its grievance procedures to ensure that grievances are acknowledged with a letter to the grievant within 5 business days of receipt as required by s. Ins 18.03 (4), Wis. Adm. Code.

Action: Non-Compliance

20. It is recommended that the company revise its grievance procedures to ensure that all grievant, regardless of resolution, are sent a letter explaining the disposition of the grievance as required by s. 632.83 (3) (d), Wis. Stat.

Action: Compliance

21. It is recommended that the company improve its grievance procedures to ensure that grievant are notified of the right to appear at the grievance meeting and the time and place of the meeting in order to comply with s. Ins 18.03 (3) (b), Wis. Adm. Code.

Action: Compliance

22. It is recommended that the company revised its procedures for submitting its annual grievance report to OCI to ensure that the reporting process complies with all of the requirements of s. Ins 18.06, Wis. Adm. Code, and s. 632.83 (2) c, Wis. Stat.

Action: Non-Compliance

MARKETING, SALES & ADVERTISING

23. It is recommended that the company revise the manner in which it maintains its advertising file to comply with the requirements of s. Ins 3.27 (28), Wis. Adm. Code.

Action: Non-Compliance

24. It is recommended that the company develop written procedures regarding the maintenance of the advertising file in order to comply with s. Ins 3.27 (28), Wis. Adm. Code.

Action: Non-Compliance

UNDERWRITING & RATING

25. It is recommended that the company develop and use the replacement notice required by s. Ins 3.29 (6), Wis. Adm. Code, and that the content of the notice comply with all of the disclosure requirements of s. Ins 3.29 (7), Wis. Adm. Code.

Action: Compliance

26. It is recommended that the company improve its procedures to ensure that it does not accept business from nor pay commissions to agents not listed with the company in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

Action: Non-Compliance

27. It is recommended that the company process applications consistent with its internal procedures and that it review and provide additional information to State Farm agents regarding the company's requirement that the agent of record sign the application in order to comply with s. 628.34 (1), Wis. Stat.

Action: Compliance

28. It is recommended that the company revise its procedures to provide the required HIRSP notice and information to individual accident & sickness applicants who are declined coverage due to medical underwriting considerations in compliance with s. 632.785, Wis. Stat.

Action: Non-Compliance

CLAIMS

29. It is recommended that the EOBs used by the company's prescription drug vendors be revised to comply with the requirements of s. Ins 18.03 (2), Wis. Adm. Code.

Action: Compliance

30. It is recommended that the company establish a written procedure to ensure that vendors who utilize their own explanation of benefit forms (EOBs) are made aware of the requirements of s. Ins 3.651 (4), Wis. Adm. Code, and use of ANSI codes as claim adjustment reason codes in their EOBs.

Action: Compliance

31. It is recommended that the company institute a process for periodically testing and auditing its claim system programs to ensure that its tables accurately report ANSI codes on Remittance Advice (RA) forms for health care providers in order to comply with s. Ins 3.651 (3), Wis. Adm. Code.

Action: Non-Compliance

32. It is recommended that the company improve its claims processing procedures to ensure that interest is paid on claims that are not paid within 30 days of receipt of sufficient information to establish liability as required by s. 628.46, Wis. Stat.

Action: Compliance

33. It is recommended that the company develop written procedures on how to handle requests from insured for UCR information and that the company disclose to insured the information required by s. Ins 3.60 (6) (a) 2., Wis. Adm. Code.

Action: Compliance

34. It is recommended that the company revise its claim processing procedures to ensure that denied chiropractic service claims are reviewed and handled as required by s. 632.875 (2) and (3), Wis. Stat.

Action: Compliance

PRIVACY & CONFIDENTIALITY

35. It is recommended that the company draft and implement agreements for all employees with off-site access to company databases that provide for the proper destruction of printed documents containing confidential enrollee financial or health information to ensure compliance with s. 610.70, Wis. Stat., and ch. Ins 25, Wis. Adm. Code.

Action: Compliance

36. It is recommended that the company develop and implement internal policies and procedures for providing enrollees with an initial privacy notice to ensure compliance with s. Ins 25.10 (1), Wis. Adm. Code.

Action: Compliance

37. It is recommended that the company develop and implement internal policies and procedures for providing enrollees with an annual privacy notice to ensure compliance with s. Ins 25.13 (1) (a), Wis. Adm. Code.

Action: Compliance

38. It is recommended that the company develop and implement internal policies and procedures for providing enrollees with a revised policy notice whenever there is a material change to its privacy practices to ensure compliance with s. Ins 25.20, Wis. Adm. Code.

Action: Compliance

39. It is recommended that the company revise its underwriting authorization form to exclude from the authorization the disclosure of information relating to HIV testing and treatment, as required by s. 631.90 (3) (a) Wis. Stat., and s. Ins 3.53, Wis. Adm. Code.

Action: Compliance

MANAGED CARE

40. It is recommended that the company develop and institute a remedial action plan to address quality problems, including written procedures for taking appropriate corrective action in order to document compliance with s. 609.32 (1m), Wis. Stat.

Action: Compliance

41. It is recommended that the company develop and institute a process for notifying the Medical Examining Board of any disciplinary actions taken against a participating provider in order to document compliance with s. 609.17, Wis. Stat.

Action: Compliance

42. It is recommended that the company develop and implement a written policy requiring that all complaints, appeals and grievances relating to quality of care be reviewed by the quality assurance committee in order to comply with s. Ins 9.40 (4), Wis. Adm. Code.

Action: Compliance

43. It is recommended that the company develop and implement a compliance plan that satisfies all of the specific requirements of s. Ins 9.42, Wis. Adm. Code.

Action: Compliance

44. It is recommended that the company develop a process for conducting regular internal audits, including regular audits of any contractors or subcontractors who perform functions related to compliance with ss. 609.22, 609.24, 609.30, 609.32, 609.34, 609.36, and 632.83, Wis. Stat., and s. Ins 9.07, Wis. Adm. Code, in order to document compliance with s. Ins 9.42 (3), Wis. Adm. Code.

Action: Compliance

COMPANY OPERATIONS/MANAGEMENT

45. It is recommended that the company revise its procedures and provide oversight of the network contracting process with individual providers through a random audit process to ensure that these contracts comply with the requirements of Wisconsin insurance laws and regulations, including but not limited to s. Ins 18.03 (2) (c) 2., Wis. Adm. Code.

Action: Compliance

IV. CURRENT EXAMINATION FINDINGS

MARKETING, SALES & ADVERTISING

The examiners reviewed the company's response to the OCI's marketing, sales and advertising interrogatory, its advertising files, marketing and sales activities, agent's complaint files, company's short and long range marketing goals for group and individual products including short-term medical (STM) and student select (SS) plans.

The company utilized several distribution channels with multiple agent hierarchy to market its products, including general agents, producers, writing agents, sales representatives and telemarketers. General agents had a GA sales agreement and were supervised by regional sales directors. Writing agents and producers were licensed and appointed to represent the company through a general agent but producers received compensation directly from the company. The company also had a marketing agreement with Insurance Placement Services, Inc (IPSI), a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company. IPSI agents received commissions from IPSI for the sale of Time Insurance individual major medical, STM and SS products; and a referral fee for small group business. The company required that IPSI provide the name of its writing agents and these agents' licensed staff to be appointed with the company, and that IPSI be responsible for their supervision.

The examiners interviewed the company's senior vice president (SVP) for individual market and student select products, who indicated that in 2001 the company established a unit called the Apollo unit located at either the home office in Milwaukee or at its office in Plymouth, MN, dedicated to supporting its direct marketing efforts. Initially unit employees were salaried, and assisted customers who were responding to the company direct marketing efforts. As the company direct marketing efforts expanded, these employees took on additional tasks including telesales for all states in which the company was licensed to do business and the District of

Columbia. The compensation plan for these employees was updated to include monthly bonuses based on sales and retention of premium.

The examiners requested that the company provide a listing of all applications taken by its telesales employees during the period of review, identifying the telesales employee for each transaction. The examiners found that the company failed to license and appoint 69 telesales employees selling insurance products in Wisconsin. The examiners also found that the company had licensed but failed to appoint 34 telesales employees in Wisconsin.

- 1. Recommendation:** It is recommended that the company develop a written procedure to ensure that all insurance intermediaries including telesales insurance intermediaries are properly listed with the company to ensure compliance with s. Ins 6.57 (1), Wis. Adm. Code.

The examiners requested that the company explain compliance with the prior examination recommendation that required that the company develop written procedures regarding the maintenance of the advertising file in order to comply with s. Ins 3.27 (28), Wis. Adm. Code. The company provided a copy of written procedures dated February 4, 2008. The document stated that as of January 2008, the company would include Wisconsin-specific information required in the advertisement files.

The examiners reviewed a random sample of 50 advertisements from the company's advertising files. The examiners found that 50 advertisements did not have a notation attached to the advertisement indicating the manner and extent of use of the advertisement. Also, the examiners found that 39 advertisements did not include the policy number associated with the advertisement.

The company provided copy of the regulatory compliance quality assurance internal audit dated December 18, 2007 regarding the Wisconsin advertising organization. The company reviewed a random sample of all small group, individual medical and specialty product advertisement forms. The examiners found that the internal audit identified similar issues to those identified during the examiners sample review, including:

- company was not able to identify the product that the advertisement was marketing,
- company was not able to identify the manner and extent of distribution,
- company was not able to find copies of some individual major medical advertisements

The company indicated and the examiner verified that a corrective action plan was put in place and implemented on January 31, 2008. The new procedures were scheduled to be audited again in June 2008.

2. **Recommendation:** It is again recommended that the company revise the manner in which it maintains its advertising file to comply with the requirements of s. Ins 3.27 (28), Wis. Adm. Code.
3. **Recommendation:** It is again recommended that the company develop written procedures regarding the maintenance of the advertising file in order to comply with s. Ins 3.27 (28), Wis. Adm. Code.
4. **Recommendation:** It is recommended that the company provide a copy of the regulatory compliance quality assurance internal audit conducted in June 2008, to the OCI within 90 days of adoption of the examination.

The examiners requested copies of all agent complaints filed during the period of review. The company provided 42 complaint files involving agent activity. The company was not able to locate five agent complaint files. The examiners reviewed the 42 agent complaint files and the company's agent disciplinary written procedures. The company stated that it referred all agent complaint to the agent quality administrator (AQA) division of the sales administration department. The AQA classified the nature of the agent behavior, requested the agent's statement and made recommendation of action to the appropriate legal counsel. The examiners were not able to document how the company classified the agent's complaint or recommended action. The examiners also found on five occasions that the company failed to obtain the agent's written statement.

5. **Recommendation:** It is recommended that the company follow its written agent disciplinary process and document how the agent complaints are classified, include recommended action and obtain agent written statement to ensure compliance with s. Ins 6.57 (2) (b), Wis. Adm. Code.

PRODUCER LICENSING

The examiners reviewed the company's response to the OCI's producer licensing interrogatory, agency agreements, producer listing and terminations, procedures for reconciling the annual billing statement and company's use of telemarketers.

The company stated that the licensing and contract support department was responsible for reviewing agent appointment applications, creating new producer and agency records, processing resident and non resident appointments and processing appointment renewals. In 2001, the company entered into an agreement with Kaplan appointpak.com to electronically process all agent appointments and terminations and submit the data to the departments of insurance.

The examiners requested that the company show compliance with the prior examination recommendation that required that the company revise its producer licensing procedures to include periodic audits of its agent data base for accuracy of information to ensure that the company did not accept business from agents not listed to represent the company. The examiners verified that the company had developed written procedures to compare its agent database with the OCI annual billing statement. The examiners reviewed five internal audits conducted during the period of review but were not able to verify that the company conducted an internal audit of its agent database.

In addition, the examiners requested from the company a listing of all Wisconsin agents who represented the company as of the end of the examination period. The examiners compared these records with the agent database maintained by the OCI. Based on the agent data match, the examiners found that 218 agents were not licensed in Wisconsin based on the OCI's records, but that the company showed them as active with the company. The examiners found that 294 agents were licensed but not appointed in Wisconsin based on the OCI's records, but that the company showed as appointed in Wisconsin. The examiners found that

the OCI agent data indicated 359 agents appointed with the company, but company data did not show the agents as representing the company. In addition, the examiners found:

- nine occasions where the company was not able to locate the agent in its computer system. However the agent name, social security number, license number and listing information were provided by the company in response to data call.
- six occasions where the company submitted requests for the termination of agent's appointment to the OCI but agent remained active in its computer system
- 44 occasions where the company failed to terminate the agent per OCI request and accepted one application from an unlicensed agent
- one occasion where agent application was denied by the OCI; however, the company accepted two applications from the agent

6. Recommendation: It is again recommended that the company revise its producer licensing procedures to include periodic audits of its agent data base for accuracy of information and to annually reconcile its agent listing records with the annual renewal billing statement received from OCI to ensure that the company does not accept business from agents not listed to represent the company in order to document compliance with s. 628.11, Wis. Stat., and s. Ins 6.57 (5), Wis. Adm. Code.

The examiners requested that the company show compliance with the prior examination recommendation that required that the company revise its producer licensing procedures to ensure that the company notified the OCI of agent terminations from the company. Based on the agent data match, the examiners found that in 75 occasions the company failed to provide notice of termination to the OCI within 30 calendar days. The examiners verified that the company had developed written procedures regarding notifying the OCI of agent terminations but did not follow its own process.

7. Recommendation: It is again recommended that the company revise its producer licensing 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.

8. Recommendation: It is recommended that the company follow its producer licensing procedures and report agent terminations to the OCI within 30 calendar days to ensure compliance with s. Ins 6.57 (2), Wis. Adm. Code.

The examiners requested that the company show compliance with the prior examination recommendation that required that the company improve its procedures to ensure that it does not accept business from nor pay commission to agents not listed with the company.

The examiners verified that the company had developed written procedures regarding appointing agents with the company prior to accepting an application but did not follow its own process.

The examiners requested company agent commission data in order to verify agent active appointments. The examiners compared these records with the agent database maintained by the OCI. Based on the commission data match, the examiners found:

- 12 policies submitted by unlicensed writing agents
- 10 policies originally written by licensed State Farm agents listed with the company and later transferred to unlicensed agents
- 20 commission payments made on two policies prior to the date the agent was licensed in Wisconsin with the company
- three commission payments made on one policy to a licensed but unlisted agent. The policy was originally sold by a licensed and listed agent, and later transferred to a licensed but not listed agent with the company
- four commission payments made on one policy to a licensed but unlisted agent
- 40 commission payments made to one unlisted agent, 123 commission payments were made to another unlisted agent. The examiners found that that company failed to update its system when the agent's resident Wisconsin license was terminated because the agent moved to another state and did not apply for a non-resident license.

The examiners reviewed the individual health issued data, which listed the writing agent and found:

- 21 policies were originally written by a licensed and listed agent with the company, and later transferred to unlicensed agents
- two policies were written in Wisconsin by agents licensed and listed in other states (MN and SD), not Wisconsin
- four policies sold by licensed but unlisted agents
- one policy was issued from an agent with terminated listing
- 49 policies were sold by a total of 6 unlisted agents. The examiners found that the company failed to update its system when the agent's listing terminated and continued to accept businesses.

The examiners reviewed the individual not issued data, which listed the writing agent and found:

- seven applications were submitted by unlicensed agents. The examiners found that the business was not issued for reasons other than the agent license status.
- two applications taken in Wisconsin by agents licensed in MN, not Wisconsin.
- nine applications accepted from agents that were licensed in Wisconsin but not listed with the company

- one application was accepted from an agent with a terminating listing
- 16 applications were taken by three different agents whose listing with the company had terminated. The examiners found that in two cases the company failed to update its system when the agent's listing terminated and continued to accept businesses.

The examiners reviewed the small employer commission data, which listed the writing agent and found:

- 20 commission payments were made on one policy to a licensed but unlisted agent. The policy was originally sold by a licensed and listed agent, and later transferred to and who was not listed with the company.
- 18 commission payments were made on one policy to a licensed but unlisted agent with the company

The examiners found during their sample review of the company's individual new business applications; small employer applications; and small group business that the company had accepted applications from writing agents not licensed and/or appointed with the company.

The following findings were noted:

- For individual new business not taken, the examiners found two files where the agents were not licensed with in Wisconsin or listed with the company. The company stated that when the two applications were underwritten, the process in its direct sales office was that the agent worked under the umbrella of its supervisor. The supervisors for the two agents were licensed in Wisconsin and listed with the company. The company stated that it had corrected this process and now agents only sell in the states in which they are licensed.
- For small employer business, the examiners found one application written by an agent not licensed to sell insurance in Wisconsin and not appointed with the company.

9. Recommendation: It is again recommended that the company improve its procedures to ensure that it does not accept business from nor pay commission to agents not listed with the company in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

10. Recommendation: It is recommended that the company follow its procedures to ensure that it does not accept business or allow an individual to submit an application if the agent is not listed or licensed with the company in order to comply with s. Ins 6.57 (5) and (6), Wis. Adm. Code.

11. Recommendation: It is recommended that the company follow its procedures and processes to ensure that no application is accepted from agents whose license is suspended or revoked to show compliance with s. 628.345 (1) and (2), Wis. Stat.

The examiners reviewed a random sample of 50 active agent and 50 terminated agent files. The examiners reviewed the agent sales agreements, compared the company termination or appointment date with the agent database maintained at the OCI, verified termination letter was sent to the agent and that the company requested indicia return. No exceptions were noted regarding the agent file review.

SMALL EMPLOYER

The examiners reviewed the company's response to the OCI's small employer insurance interrogatory, its underwriting procedures and requirements; field underwriting guide; actuarial certifications; waiver and disclosure forms; rating methodology and renewability.

The company marketed to small employer groups, defined as groups with at least 2 but not more than 50 employees, through a trust. These groups met the definition of small employer under s. 635.02 (7), Wis. Stat; therefore, subject to Wisconsin small employer regulation. The examiners requested a list of all small employer groups in force during the period of review. The company provided a list of 23 in-force small groups. The examiners' data analysis showed that the company's total premium for small groups dropped 22% from 2004 to 2005 and 31% from 2005 to 2006. The company stated that its small employer businesses were not competitive due to issues with network contracts. Most of the small employer business written was for groups with fewer than 10 lives; with an average group size of six lives.

The examiners requested that the company explain compliance with the prior examination recommendation that required that the company revise its minimum participation requirements for new small employer groups by deleting the minimum participation requirements for dependents to comply with the requirements of s. Ins 8.46 (2), Wis. Adm. Code. The examiners reviewed the small group Wisconsin state variations advertisement, form 25140-WI (Rev. 8/15/2005), used in conjunction with the company small group underwriting

agent's guide. The company required 100% participation of all eligible dependents for group sizes 2 to 4 eligible employees and 50% participation of all eligible dependents for group sizes 5 or more eligible employees. The examiners verified that the company changed its small group participation guidelines but the examiners found that the company failed to revise the minimum dependent participation requirement section in its advertisement.

12. Recommendation: It is again recommended that the company revise its minimum participation requirements for new groups by deleting the minimum participation requirements for dependents to comply with the requirements of s. Ins 8.46 (2), Wis. Adm. Code.

13. Recommendation: It is recommended that the company revise its advertisements and change the minimum dependent participation requirements for new groups to show compliance with s. Ins 8.46 (2), Wis. Adm. Code.

The examiners found that the company did not have in place a written policy and procedure for providing the disclosure of rating factors and renewability to small employers who apply for a policy as required by s. 635.11, Wis. Stat., and s. Ins 8.48 (1), Wis. Adm. Code. The company indicated that it instructed agents to obtain this form from the agent website and provide the disclosure form to their customers. The examiners verified that the disclosure form was available on the agent secure website but the company did not have instructions requiring that an agent provide this form to the employer at the time of sale. The form did not require the agent or the employer signatures.

14. Recommendation: It is recommended that the company develop written procedures and processes to document that small employer groups receive and sign the rating and renewability form prior to the sale of a plan to ensure compliance with s. 635.11, Wis. Stat. and s. Ins 8.48 (1), Wis. Adm. Code.

The examiners reviewed 22 small employer issued files, which represented all small employer business written during the period of review. The examiners found that one file indicated the employer had moved from a neighboring state to Wisconsin. The examiners found that the company did not have a procedure or process for providing to small employers that relocate to Wisconsin the rating and renewability disclosure form. The employer group notified

the company of the move directly and no agent was involved in the reissue process. Section Ins 8.48 (2), Wis. Adm. Code, provides that if no agent is involved, a small employer insurer shall provide the small employer or individual applicant with a form stating the information required under s. 635.11 (1m), Wis. Stat.

The examiners reviewed the small group waiver forms included in the 22 small employer issued files. The examiner found that in situations where husband and wife were employed by the same employer, the company did not request a waiver form from the spouse declining coverage. The company stated that it did not require waivers from spouses that work for the same employer as the spouse was enrolling as a dependent. The examiners found that the agent guide regarding small group underwriting stated if an employee or dependent was waiving the medical or dental coverage, the waiver coverage section of the employee enrollment form had to be completed.

15. Recommendation: It is recommended that the company require completion of waiver form in cases where the same employer spouse elects insurance as a dependent to ensure compliance with s. Ins 8.60 (1) and (2), Wis. Adm. Code.

ELECTRONIC COMMERCE

The examiners reviewed the company's response to the OCI's electronic commerce interrogatory. The examiners reviewed the company's registered domain names; its use of the internet and World Wide Web in the marketing and selling of its insurance products; online application processes; development and maintenance of the website; electronic lead generation; and security measures regarding agent's advertisement on the internet.

The examiners found that the company maintained a presence on the internet via its parent's branded website, www.assuranthealth.com. The company's website consisted of four main sections: company, consumer, provider and agent information. The company section included information about health products, career, newsroom and the company health privacy

policy. Consumers were able to request and apply for STM insurance online, find participating provider and through a secure website obtained health saving account claim status and member eligibility information. The providers were able through a secure website to submit and obtain claim status information. The agent section was also through a secure website. Agents were able to obtain quote for IM, STM and SS, find approved forms, check underwriting status, verify commission statements, issue STM policies and submit individual major medical applications online.

The examiners reviewed the company procedures and measures for ensuring that unauthorized users did not break into confidential data via the Internet. The examiners found that although the company website included firewalls and authentication/authorizations controls, the company did not monitor security breaches if they occur. The company indicated that its log management and IDS tools were being evaluated. The company projected the completion date by the end of 2008.

16. Recommendation: It is recommended that the company develop and maintain a log of security breaches of company's systems.

POLICYHOLDER SERVICE & COMPLAINTS

The examiners reviewed the company's response to the OCI's policyholder service and complaint interrogatory; its complaint handling policies and procedures, its complaint log and OCI complaints.

The company indicated that its policyholder services were handled by either the policyholder service representative or the premium service processor. The company indicated that all complaints were handled by customer service representatives. The customer service representatives were responsible for logging complaints into the company complaint log and for attempting to resolve the problem; or if the member remained dissatisfied for advising the member to file a grievance.

The examiners requested from the company its complaint log in order to choose a sample of complaints to review. The company only provided the complaint log information for the period June 1, 2005 to August 22, 2006. The company stated that on August 22, 2006, its customer management center had a computer upgrade and the complaint log was not retained in the new system. It was not aware that the complaint log no longer existed until it received the OCI data request for the examination. The examiners found that the company did not have a complaint log from January 1, 2005 through June 1, 2005 nor from August 22, 2006 through September 30, 2007. The examiners found that the company did not properly record and retain all complaints received for a period of at least 3 years. The company stated that it would immediately develop and implement a corrective action plan.

17. Recommendation: It is again recommended that the company revise the manner in which it keeps a record of complaints so that it can make its complaint records available upon request to OCI for review in order to comply with the requirements of s. Ins 18.06 (1), Wis. Adm. Code.

18. Recommendation: It is recommended that the company provide a copy of the corrective action plan developed to properly record and retain all complaints to ensure compliance with s. Ins 18.06 (1), Wis. Adm. Code.

GRIEVANCE & INDEPENDENT REVIEW

The examiners reviewed the company's response to the OCI's grievance and independent review interrogatory; its grievance procedures, annual grievance experience reports for 2005 and 2006, company explanation of benefits (EOB) and remittance advice (RA) forms, and its procedures for handling independent review requests from Wisconsin insureds.

Grievances

The examiners reviewed the company's internal grievance procedures. The company indicated that all grievances were handled by the health management department or the correspondence department. The health management department reviewed

experimental/investigation and medical necessity grievances. The correspondence department reviewed all other grievances.

The examiners requested that the company show compliance with prior examination recommendation that required that the company revise its internal grievance procedure and manuals to comply with all of the requirements of s. Ins 18.03 (3), Wis. Adm. Code. The examiners reviewed the company health management department operational policy and procedures regarding appeal process and independent review and the company's correspondence department manual regarding the grievance process. The examiners verified that the company's health management department had written grievance procedures that complied with the prior recommendation. However, the examiners found that the procedures for the company's correspondence department did not indicate that the appeal response letter required the signature of one voting member of the panel. The company acknowledged that the grievances reviewed by its correspondence department did not have a panel member sign the grievance resolution letters.

19. Recommendation: It is again recommended that the company revise its internal grievance procedure and manuals to comply with all of the requirements of s. Ins 18.03 (3), Wis. Adm. Code.

20. Recommendation: It recommended that the company revise its correspondence department's grievance procedure to require that a panel member sign the grievance resolution letter to comply with s. Ins 18.03 (3) (g), Wis. Adm. Code.

The examiners requested that the company show compliance with prior examination recommendation that required that the company revise the information in its brochure entitled, "Employer Administration Guide" for Wisconsin insured to comply with the grievance requirements of s. Ins 18.03 (3), Wis. Adm. Code. The examiners reviewed the employer administration guide and found that the company's brochure contained information about the ERISA appeal process but did not include information regarding the grievance process that applies to Wisconsin insureds. The examiners found that the company did not comply with the

recommendation contained in the market conduct examination report adopted March 4, 2005. The company stated that changes would be made to the Employer Guide Supplement, estimated implementation date was March 31, 2008.

21. Recommendation: It is again recommended that the company revise the information in its brochure entitled, "Employer Administration Guide" for Wisconsin insured to comply with the grievance requirements of s. Ins 18.03 (3), Wis. Adm. Code.

22. Recommendation: It is recommended that the company provide an updated copy of the, "Employer Administration Guide" for Wisconsin and Employer Guide Supplement to show compliance with s. Ins 18.03 (3), Wis. Adm. Code.

The examiners reviewed a random sample of 50 grievance files. The examiners found 15 grievance files that were not resolved by the company within 30 calendar days of receipt of the grievance. The examiners were not able to document that the company provided a 30 days extension notice to the insured if it was not able to resolve the grievance within 30 calendar days. The company stated that the invitation to the grievance panel letter was used as the 30 day extension letter. Section Ins 18.03 (6) (b), Wis. Adm. Code, states that if the insurer is not able to resolve the grievance within 30 calendar days, the insurer must provide a written notification to the insured, including that the insurer has not resolved the grievance, when resolution of the grievance may be expected, and the reason additional time is needed

23. Recommendation: It is recommended that the company include in its grievance procedures, a process to extend the resolution of a grievance by 30 calendar days and develop the use of an extension letter to ensure compliance with s. Ins 18.03 (6) (b), Wis. Adm. Code.

The examiners requested that the company show compliance with prior examination recommendation that required that the company improve its grievance procedures to ensure that grievances are acknowledged with a letter to the grievant within five business days of receipt. The examiners found that 19 files did not contain an acknowledgment letter. The company stated that 11 of the files were for premium issues; however, the grievance did not go through the company's correspondence department responsible for sending out the

acknowledgment letters. The problem was discovered in fourth quarter of 2006 and a workaround was implemented in 2007. The examiners verified that the company had written procedures to mail the acknowledgment letter to the grievant within five business days of receipt.

24. Recommendation: It is again recommended that the company improve its grievance procedures to ensure that grievances are acknowledged with a letter to the grievant within 5 business days of receipt as required by s. Ins 18.03 (4), Wis. Adm. Code.

25. Recommendation: It is recommended that the company document that it sends an acknowledgment letter to the insured or the insured's authorized representative within five days of receipt of a grievance to show compliance with s. Ins 18.03 (4), Wis. Adm. Code.

The examiners found one file that the grievance was sent to the network provider and not the company. The examiners were not able to document that the grievance was sent to the company in a timely manner, or that an acknowledgment letter was sent once the grievance was received by the company. The examiners verified that the network agreement contained grievance language to show compliance with s. Ins 18.03 (2) (c) 2, Wis. Adm. Code. The examiners were not able to document that the company contacted the network regarding non-compliance of the contract language.

The examiners requested that the company show compliance with the prior examination recommendation that required that the company revised its procedures for submitting its annual grievance report to the OCI. The examiners requested that the company provide a list of all grievances received during the period of review. The examiners compared the list provided with the 2005 and 2006 grievance summary report the company submitted to the OCI. The examiners found 87 files in the company data file that did not appear in the OCI grievance summary reports. The examiners were not able to document that the grievance summary logs provided by the company included all grievances received by the company. The examiners verified that the company had an appeal and grievance process and written procedures to log in and maintain record of all grievances received.

26. Recommendation: It is again recommended that the company revise its procedures for submitting its annual grievance report to OCI to ensure that the reporting process complies with all of the requirements of s. Ins 18.06, Wis. Adm. Code, and s. 632.83 (2) (c), Wis. Stat.

27. Recommendation: It is recommended that the company audit its annual grievance summary report prior to submitting to the OCI so that it accurately reports the grievances received and recorded on company grievance logs in order to document compliance with s. Ins 18.06 (2), Wis. Adm. Code, and s. 632.83 (2) (c), Wis. Stat.

Independent Review

The examiners reviewed the company's internal grievance procedure and independent review procedure including form letters used, policy language and language used in claim processing to show compliance with s. Ins 18, Wis. Adm. Code, which went into effect December 1, 2001. The examiners found that the small group certificate (CC2K) did not contain independent review organization (IRO) language as required by s. 632.835, Wis. Stat. The examiners verified that the company provided IRO notice to the grievant at the time the grievance resolution letter was mailed

The examiners requested that the company provide a listing of all independent review requests that the company received beginning January 1, 2006 through September 30, 2007, and that it make the files available for review. The examiners reviewed the five IRO request files identified and provided by company. No exceptions were noted regarding the IRO file review.

NEW BUSINESS AND UNDERWRITING

The examiners reviewed the company's response to the OCI's new business and underwriting interrogatory new and renewal group business processes; rejection notification, rider and rating; guidelines, replacement process; application process; and company's preexisting condition review process. The company indicated that 63 percent of its in-force

businesses in Wisconsin was written as association business, through Health Advocates Alliance, and as trust business.

The examiners requested that the company show compliance with the prior examination recommendation which stated that the company revise its procedures to provide the required health insurance risk sharing plan (HIRSP) notice and information to individual accident & sickness applicants who were declined coverage due to medical underwriting considerations.

The examiners found that prior to February 2005, the company did not send HIRSP notices to applicants who submitted a paper application for short-term or student select insurance. Prior to June, 2006, the company did not send HIRSP notice to applicants who applied for short-term insurance over the internet. Prior to July, 2006, the company did not send HIRSP notice to applicants who applied for student select insurance over the internet.

The examiners found that the company did not comply with the recommendation contained in the market conduct examination report adopted March 4, 2005. The examiner found that the company did not update its procedures and website until 2007 to provide the required HIRSP notice to all applicants. The examiners found that the company did not update its online application system until March 2008 to include the reason why the internet application was declined.

28. Recommendation: It is again recommended that the company revise its procedures to provide the required HIRSP notice and information to individual accident and sickness insurance applicants who are declined coverage due to medical underwriting considerations in compliance with s. 632.785, Wis. Stat.

The examiners reviewed the company's process and procedures for notifying applicants of rejection or if exclusionary riders or special ratings were added to their policies. The company provided a copy of its written procedures regarding the health insurance risk sharing pool (HIRSP) notice, with an effective date of 1/1/98, released date of 1/18/05 and implemented date of 11/27/07. The company stated that it must provide the required HIRSP

notice and information to all individuals on a Wisconsin medical group plan that had been rated 50% or more. Section 632.785, Wis. Stat., applies to individual health insurance coverage. HIRSP notice does not apply to small employer group insurance. Section 635.19, Wis. Stat., regarding the issuance of coverage in small group market, does not reference the HIRSP notice.

29. Recommendation: It is recommended that the company correct its written business underwriting procedures regarding small employer group insurance to document that all groups are offered coverage to ensure compliance with s. 635.19, Wis. Stat.

The examiners reviewed a random sample of 50 issued individual applications and 50 individual not taken applications. The examiners found two applications taken by agents not licensed in Wisconsin, which is referenced in the producer licensing section of the report. The examiners reviewed a random sample of 50 rescinded individual policies. No other exceptions were noted regarding the individual applications review.

CLAIMS

The examiners reviewed the company's response to the OCI's claims interrogatory, its claims administration processes and procedures for network and out-of-network providers, claim adjustment (ANSI) codes, claim methodology, EOB and RA forms, administrative service and vendor agreements.

The company's insurance policies provided benefits based on usual, reasonable and customary (URC) claim methodology. This was the maximum fee that was considered for a covered expense on any out of network provider claim on a network plan or any non-PHCS provider claim on a traditional non network plan. The company contracted with a third party vendor to provide fee information for current procedural terminology (CPT) codes for medical and surgical services. The company indicated that twice a year its vendor sent a compact disc containing updated UCR amounts then the IT department uploaded this data into its ACES

claim system. The examiners requested a copy of its written procedures to ensure that the UCR data was updated at least every 6 months and was never older than 18 months. The examiners were not able to verify that the company had any written procedures or process to ensure compliance with s. Ins 3.60 (4) (c) and (d), Wis. Adm. Code.

30. Recommendation: It is recommended that the company develop and implement a written policy and procedure to ensure that its UCR database is updated every 6 months and at the time of the update it verifies that the data is never older than 18 months, as required by s. Ins 3.60 (4) (c) and (d), Wis. Adm. Code.

The examiners requested that the company show compliance with the prior examination recommendation that required that the company institute a process for periodically testing and auditing its claim system program to ensure that its tables accurately report claim adjustment reason code (ANSI) on remittance advice (RA) forms for health care providers. The company stated that procedures were put in place to update codes quarterly to ensure that accurate ANSI codes were utilized. The examiners were not able to document that the company had testing or auditing procedures or that it had conducted an internal audit of its claim system programs.

The examiners reviewed a random sample of 50 paid health claims, 50 denied health claims, 25 paid chiropractor claims and 25 denied chiropractor claims, in part to determine if the RA form sent to providers contained the ANSI code. The examiners found 45 claims that the RA form sent to the provider did not include ANSI codes. The company stated that ANSI codes only appear on denied claims. The company did not include ANSI codes if the claim was paid, or applied to deductible or included a discount. Section Ins 3.651 (3) (b) (4) i, Wis. Adm. Code, states that ANSI codes must be included, unless the claim is adjusted solely because of a deductible, copayment or coinsurance or a combination of any of them.

The examiners reviewed a random sample of 50 denied health claims and 25 denied mental health claims, to determine if the explanation of benefits (EOB) form sent to the insureds

contained ANSI code as required by s. Ins 3.651 (4) (a) (5) f, Wis. Adm. Code. The examiners found that in 17 instances the company failed to include the ANSI codes on its narrative description on the company produced EOB forms. The company stated that the insured's address must be a Wisconsin address in order for an ANSI code to show on the EOB.

- 31. Recommendation:** It is again recommended that the company institute a process for periodically testing and auditing its claim system programs to ensure that its tables accurately report ANSI codes on remittance advice (RA) forms for health care providers in order to comply with s. Ins 3.651 (3), Wis. Adm. Code.
- 32. Recommendation:** It is recommended that the company provide an explanation of how it verified and updated Wisconsin ANSI codes based on the 2008 OCI notification that an updated list of codes was available to ensure compliance with s. Ins 3.651 (5), Wis. Adm. Code.
- 33. Recommendation:** It is recommended that the company update its procedure to include ANSI codes on remittance advice (RA) forms on claims that include a discount to ensure compliance with s. Ins 3.651 (3) (b) (4) i, Wis. Adm. Code.
- 34. Recommendation:** It is recommended that the company develop a process to ensure consistent use of ANSI codes on explanation of benefits (EOB) forms to ensure compliance with s. Ins 3.651 (4) (a) (5) f, Wis. Adm. Code.

The examiners review a random sample of 25 paid mental health claims. No exceptions were noted regarding the paid mental health claim review.

PRIVACY & CONFIDENTIALITY

The examiners reviewed the company's response to the OCI's privacy of consumer financial and health information interrogatory, its privacy policies and procedures manual, confidentiality agreement for employees, process for notifying customers of privacy policy, privacy notice and authorization for disclosure of health information. The company's vendor and agent agreements were reviewed for privacy provisions. The examiners also interviewed the company's privacy officer.

The examiners reviewed the company's privacy policy and procedures documents. The company's privacy policy, section 2.1 required that an insured request to amend medical

information in the company's possession be handled within 60 days after receipt. It also stated that the company may extend the time period by up to 30 days if the company notified the insured during the initial 60 days after receipt.

Section 2.2 required that an insured request for an accounting of disclosures of personal health information in the company's possession be handled within 60 days after receipt. Section 2.3 stated that the company may extend the time period by up to 30 days if notification was provided to the insured during the initial 60 days after receipt. It also provided standards for the retention of personal medical information. However, it did not provide that copies of recorded personal medical information in the company's possession included the source of the information if the source was a health care provider or a medical institution, as required by s. 610.70 (3) (e), Wis. Stat. The company stated that it had updated its procedures to include this requirement. Company indicated that when medical records were sent, it always included a cover sheet stating where the medical information was obtained. The examiners were not able to verify that a cover sheet was included with the medical record or that the company updated its procedures.

35. Recommendation: It is recommended that the company revise its internal privacy policy and procedure to provide that an insured's request to amend medical information in the company's possession be handled within 30 business days after receipt, as required by s. 610.70 (3) (a), Wis. Stat.

36. Recommendation: It is recommended that the company revise its internal privacy policy and procedure to provide that an insured's request for an accounting of disclosures of personal health information in the company's possession be handled within 30 business days after receipt, as required by s. 610.70 (3) (a), Wis. Stat.

37. Recommendation: It is recommended that the company revise its internal privacy policies and procedures to provide that copies of recorded personal medical information in its possession include the source of the information if the source was a health care provider or a medical institution to ensure compliance with s. 610.70 (3) (e), Wis. Stat.

The examiners reviewed the general agent, producer and local agent sales agreements. The examiners found that these contracts included a provision that required

agents to comply with the laws and regulations regarding the protection of personal financial and health information provided in s. 610.70, Wis. Stat. and ch. Ins 25, Wis. Adm. Code. The company indicated that contracted general agents were responsible for monitoring producer and local agent compliance with the laws and regulations. The company did not provide a written plan or audit report for continued monitoring and oversight of the privacy programs of its general agents to ensure compliance with s. 610.70, Wis. Stat. and ch. Ins 25, Wis. Adm. Code.

38. Recommendation: It is recommended that the company draft and implement written policies and procedures for the continued monitoring and oversight of the privacy programs of its general agents and independent agents to ensure compliance with s. 610.70, Wis. Stat., and ch. Ins 25, Wis. Adm. Code.

MANAGED CARE

Chapter Ins 9, Wis. Adm. Code, was amended effective January 1, 2007, for policies or certificates newly issued, and effective January 1, 2008, for renewed policies or certificates, to correspond with the statutory requirements of ch. 609, Wis. Stat., as amended by 2001 Wis. Act 16. The amendments required that an insurer offering a preferred provider plan provide disclosure notice to applicant at the time of solicitation, and disclosure on the group or individual policy that limited benefits would be paid when the insured uses the services of nonparticipating providers.

The examiners reviewed the company's response to the OCI's managed care interrogatory, its policies and procedures regarding plan administration, compliance program, quality assurance and improvement, company's availability and access standards, credentialing and recredentialing.

The examiners determined that the plans offered by the company met the definition of preferred provider plan but were not defined network plans. The plans provided for direct access to providers by enrollees without referral and the policy forms and certificated did not include significant limits on out-of-network benefits compared to in-network benefits. The

company reported that it contracted with 12 preferred provider organization networks, including HealthEOS, Preferred One, Private HealthCare Systems (PHCS), Select Care, Trilogy Health, Great-West Healthcare, Gundersen Lutheran, HFN, Interplan Health Group, Northern Illinois Health Plan, Preferred One Administrative Network, and Prevea Health Network.

The examiners reviewed the company's preferred provider plan agreements and procedures that provide coverage for services at a coinsurance rate not less than 50% and the enrollee paying at a coinsurance rate of not more than 50%. The examiners requested a copy of the company's disclosure notice provided to the applicant at the time of solicitation required by s. Ins 9.25 (5), Wis. Adm. Code. The company stated that it did not provide the disclosure notice to insureds.

39. Recommendation: It is recommended that the company be able to document that it provides the required disclosure notice to enrollees to ensure compliance with s. Ins 9.25 (1), Wis. Adm. Code.

COMPANY OPERATIONS/MANAGEMENT

The examiners reviewed the company's response to the OCI's company operations and management interrogatory, network, provider and administrative services agreements and board of directors meeting minutes.

The examiners found that company could not consistently provide or reproduce its procedures when these procedures had changed during the period of review. The company process was to delete prior procedures with each change and not to keep a history or record of these changed procedures as documentation to the company's operations in Wisconsin. The company stated that current changes were highlighted each time updates were made; however, prior versions of these documents were not archived. The company was not able to provide written procedures for the period of review if the documents were recently updated.

The examiners found that the same issues in other areas within the company:

- The examiners requested copy of the 23 small employer files. The company was not able to locate one small group file. The company stated that prior to December 2006 when it began imaging its business; the files were maintained manually in numeric order. The missing file was misfiled and it was not able to locate it.
- The examiners were not able to review the claim process and procedures during the period of review for how preauthorization and precertification were identified and processed. The company provided a copy of the procedures dated February 21, 2008 and stated that it was not able to provide printed copies of prior versions of workflows.
- The examiners requested that the company provide copy of the written procedures used for handling complaints from the OCI. The company provided a document dated August 20, 2007. The company stated that it was not able to provide copies of prior versions of the workflow due to the manner in which the prior versions were archived.

40. Recommendation: It is recommended that the company develop a process and procedures for maintaining and reproducing documents to ensure compliance with s. Ins 6.80 (4) (c), Wis. Adm. Code.

V. CONCLUSION

This market conduct examination involved a targeted review of Time Insurance Company's practices and procedures for the period January 1, 2005 to September 30, 2007. The examiners found that the Company did not comply with 13 of the 45 recommendations from the market conduct examination that was adopted in 2005. This compliance examination resulted in 27 additional recommendations in the areas of claims, managed care, producer licensing, small employer, grievance, marketing, sales and advertising, electronic commerce, underwriting and rating.

The examiners were not able to document that the company consistently complied with the requirements of Wisconsin insurance law specific to its Wisconsin insurance business. The examiners have concerns regarding the lack of oversight and compliance regarding recommendations made in prior exam report. The examiners impression was that there were a number of departments within the company operating independently with limited communication amongst one another.

VI. SUMMARY OF RECOMMENDATIONS

Marketing, Sales & Advertising

- Page 16 1. It is recommended that the company develop a written procedure to ensure that all insurance intermediaries including telesales insurance intermediaries are properly listed with the company to ensure compliance with s. Ins 6.57 (1), Wis. Adm. Code.
- Page 17 2. It is again recommended that the company revise the manner in which it maintains its advertising file to comply with the requirements of s. Ins 3.27 (28), Wis. Adm. Code.
- Page 17 3. It is again recommended that the company develop written procedures regarding the maintenance of the advertising file in order to comply with s. Ins 3.27 (28), Wis. Adm. Code.
- Page 17 4. It is recommended that the company provide a copy of the regulatory compliance quality assurance internal audit conducted in June 2008, to the OCI within 90 days of adoption of the examination.
- Page 17 5. It is recommended that the company follow its written agent disciplinary process and document how the agent complaints are classified, include recommended action and obtain agent written statement to ensure compliance with s. Ins 6.57 (2) (b), Wis. Adm. Code.

Producer Licensing

- Page 19 6. It is again recommended that the company revise its producer licensing procedures to include periodic audits of its agent data base for accuracy of information and to annually reconcile its agent listing records with the annual renewal billing statement received from OCI to ensure that the company does not accept business from agents not listed to represent the company in order to document compliance with s. 628.11, Wis. Stat., and s. Ins 6.57 (5), Wis. Adm. Code.
- Page 19 7. It is again recommended that the company revise its producer licensing 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 19 8. It is recommended that the company follow its producer licensing procedures and report agent terminations to the OCI within 30 calendar days to ensure compliance with s. Ins 6.57 (2), Wis. Adm. Code.
- Page 21 9. It is again recommended that the company improve its procedures to ensure that it does not accept business from nor pay commission to agents not listed with the company in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

Page 21 10. It is recommended that the company follow its procedures to ensure that it does not accept business or allow an individual to submit an application if the agent is not listed or licensed with the company in order to comply with s. Ins 6.57 (5) and (6), Wis. Adm. Code.

Page 21 11. It is recommended that the company follow its procedures and processes to ensure that no application is accepted from agents whose license is suspended or revoked to show compliance with s. 628.345 (1) and (2), Wis. Stat.

Small Employer

Page 23 12. It is again recommended that the company revise its minimum participation requirements for new groups by deleting the minimum participation requirements for dependent to comply with the requirements of s. Ins 8.46 (2), Wis. Adm. Code.

Page 23 13. It is recommended that the company revise its advertisement and change the minimum dependent participation requirements for new groups to show compliance with s. Ins 8.46 (2), Wis. Adm. Code.

Page 23 14. It is recommended that the company develop written procedures and processes to document that small employer groups receive and sign the rating and renewability form prior to the sale of a plan to ensure compliance with s. 635.11, Wis. Stat. and s. Ins 8.48 (1), Wis. Adm. Code.

Page 24 15. It is recommended that the company require completion of waiver form in cases where the same employer spouse elects insurance as a dependent to ensure compliance with s. Ins 8.60 (1) and (2), Wis. Adm. Code.

Electronic Commerce

Page 25 16. It is recommended that the company develop and maintain a log of security breaches of company's systems.

Policyholder Service & Complaints

Page 26 17. It is again recommended that the company revise the manner in which it keeps a record of complaints so that it can make its complaint records available upon request to OCI for review in order to comply with the requirements of s. Ins 18.06 (1), Wis. Adm. Code.

Page 26 18. It is recommended that the company provide a copy of the corrective action plan developed to properly record and retain all complaints to ensure compliance with s. Ins 18.06 (1), Wis. Adm. Code.

Grievance & Independent Review

- Page 27 19. It is again recommended that the company revise its internal grievance procedure and manuals to comply with all of the requirements of s. Ins 18.03 (3), Wis. Adm. Code.
- Page 27 20. It is recommended that the company revise its correspondence department's grievance procedure to require that a panel member sign the grievance resolution letter to comply with s. Ins 18.03 (3) (g), Wis. Adm. Code.
- Page 28 21. It is again recommended that the company revise the information in its brochure entitled, "Employer Administration Guide" for Wisconsin insured to comply with the grievance requirements of s. Ins 18.03 (3), Wis. Adm. Code.
- Page 28 22. It is recommended that the company provide an updated copy of the "Employer Administration Guide" for Wisconsin and Employer Guide Supplement to show compliance with s. Ins 18.03 (3), Wis. Adm. Code.
- Page 28 23. It is recommended that the company include in its grievance procedures, a process to extend the resolution of a grievance by 30 calendar days and develop the use of an extension letter to ensure compliance with s. Ins 18.03 (6) (b), Wis. Adm. Code.
- Page 29 24. It is again recommended that the company improve its grievance procedures to ensure that grievances are acknowledged with a letter to the grievant within 5 business days of receipt of a grievance to show compliance with s. Ins 18.03 (4), Wis. Adm. Code.
- Page 29 25. It is recommended that the company document that it sends an acknowledgment letter to the insured or the insured's authorized representative within five days of receipt of a grievance to show compliance with s. Ins 18.03 (4), Wis. Adm. Code.
- Page 30 26. It is again recommended that the company revise its procedures for submitting its annual grievance report to OCI to ensure that the reporting process complies with all of the requirements of s. Ins 18.06, Wis. Adm. Code, and s. 632.83 (2) (c), Wis. Stat.
- Page 30 27. It recommended that the company audit its annual grievance summary report prior to submitting to the OCI so that it accurately reports the grievance received and recorded on company grievance logs in order to document compliance with s. Ins 18.06 (2), Wis. Adm. Code, and s. 632.83 (2) (c), Wis. Stat.

New Business and Underwriting

- Page 31 28. It is again recommended that the company revise its procedures to provide the required HIRSP notice and information to individual accident and sickness insurance applicants who are declined coverage due to

medical underwriting considerations in compliance with s. 632.785, Wis. Stat.

- Page 32 29. It is recommended that the company correct its written business underwriting procedures regarding small employer group insurance to document that all groups are offered coverage to ensure compliance with s. 635.19, Wis. Stat.

Claims

- Page 33 30. It is recommended that the company develop and implement a written policy and procedures to ensure that its UCR database is updated every six months and at the time of the update it verifies that the data is never older than 18 months as required by s. Ins 3.60 (4) (c) and (d), Wis. Adm. Code.

- Page 34 31. It is again recommended that the company institute a process for periodically testing and auditing its claim system programs to ensure that its table accurately report ANSI codes on remittance advice (RA) forms for health care providers in order to comply with s. Ins 3.651 (3), Wis. Adm. Code.

- Page 34 32. It is recommended that the company provide an explanation of how it verified and updated Wisconsin ANSI codes based on the 2008 OCI notification that an updated list of codes was available to ensure compliance with s. Ins 3.651 (6), Wis. Adm. Code.

- Page 34 33. It is recommended that the company update its procedure to include ANSI codes on remittance advice (RA) forms on claims that include a discount to ensure compliance with s. Ins 3.651 (3)(b)(4)i, Wis. Adm. Code.

- Page 34 34. It is recommended that the company develop a process to ensure consistent use of ANSI codes on explanation of benefits (EOB) forms to ensure compliance with s. Ins 3.651 (4)(a)(5)f, Wis. Adm. Code.

Privacy & Confidentiality

- Page 35 35. It is recommended that the company revise its internal privacy policy and procedure to provide that an insured's request to amend medical information in the company's possession be handled within 30 business days after receipt, as required by s. 610.70 (3)(a), Wis. Stat.

- Page 35 36. It is recommended that the company revise its internal privacy policy and procedures to provide that an insured's request for an accounting of disclosures of personal health information in the company's possession be handled within 30 days after receipt, as required by s. 610.70 (3)(a), Wis. Stat.

- Page 35 37. It is recommended that the company revise its internal privacy policies and procedures to provide that copies of recorded personal medical

information in its possession include the source of the information if the source was a health care provider or a medical institution to ensure compliance with s. 610.70 (3)(e), Wis. Stat.

- Page 36 38. It is recommended that the company draft and implement written policies and procedures for the continued monitoring and oversight of the privacy programs of its general agents and independent agents to ensure compliance with s. 610.70, Wis. Stat., and ch. Ins 25, Wis. Adm. Code.

Managed Care

- Page 37 39. It is recommended that the company be able to document that it provides the required disclosure notice to enrollees to ensure compliance with s. Ins 9.25 (1), Wis. Adm. Code.

Company Operations/Management

- Page 38 40. It is recommended that the company develop a process and procedures for maintaining and reproducing documents to ensure compliance with s. Ins 6.80 (4)(c), 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.

<u>Name</u>	<u>Title</u>
Linda Low	Senior Examiner
Stephanie Cook	Advanced Examiner
Lynn Pink	Insurance Examiner
Brian Baird	Insurance Examiner

Respectfully submitted,



Nitza Pfaff
Examiner-in-Charge