



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

ABRI HEALTH PLAN INC
2400 S 102ND ST
WEST ALLIS WI 53227

dated July 3, 2009, and served upon the company on September 28, 2010, 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 26th day of October, 2010.

Sean Dilweg
Commissioner of Insurance

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

MARKET CONDUCT EXAMINATION

OF

**ABRI HEALTH PLAN INC
WEST ALLIS, WISCONSIN**

OCTOBER 26, 2009 TO NOVEMBER 6, 2009

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July 3, 2009

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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 October 26, 2009 to November 6, 2009 of:

ABRI HEALTH PLAN INC
West Allis, Wisconsin

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Abri Health Plan Inc. (the company) is a for-profit mixed model HMO that was incorporated on February 24, 2004, and accepted its first member in November 2004. Abri is licensed as an HMO in Wisconsin only. Abri contracts with the Wisconsin Department of Health Services (DHS) to provide managed health services to Medicaid recipients for AFDC, BadgerCare, Healthy Start, and SSI Commercial Behavioral Health plans. Abri entered into an agreement with HHS Texas Management, LP (operated by Heritage Health Systems Inc.) on January 1, 2007, to provide the administrative and management services for Medicare Advantage plans under the name "Today's Health". Heritage Health Systems is a subsidiary of Universal American. Medicare Advantage plans, also called Medicare Part C, are an option under the Medicare program whereby Medicare beneficiaries contract with and receive benefits from plan sponsors instead of under original Medicare Part A and B. The Centers for Medicare

and Medicaid Services (CMS) contracts with plan sponsors to provide Medicare Advantage plan coverage. Abri offers four Today's Health Medicare Advantage plans including plans with prescription drug coverage and Medicare Advantage special needs plans (SNPs). Medicare Advantage SNPs target enrollment to special needs Medicare beneficiaries who are institutionalized, dually eligible, and/or individuals with severe or disabling chronic conditions. Dually eligible means an individual who is a Medicare beneficiary and also enrolled in Medicaid.

Although CMS has jurisdiction over plan sponsors and their activities CMS marketing guidelines provide that the States have oversight of agents and the marketing activities of the agents.

This examination report addresses only Abri's activities relating to its Medicare Advantage plan business.

In 2008 and in 2007, the company reported written premium in Wisconsin only and the majority of the premium written by the company in 2008 and 2007 was from the Wisconsin Title XIX (Medicaid).

Wisconsin Premium and Benefits Paid Summary

Direct Premium Earned and Direct Losses Incurred

2008		
Line Of Business	Direct Premiums Earned	Direct Losses Incurred
Comprehensive	0	\$
Medicare Supplement	0	
Dental Only	0	
Vision Only	0	
Disability Income	0	
Long-Term Care	0	
Title XVIII Medicare	28,926,042	24,761,772
Title XIX Medicaid	33,704,952	25,154,263
All Others	467,656	409,373
Total	\$63,098,650	\$50,325,408

2007		
Line Of Business	Direct Premiums Earned	Direct Losses Incurred
Comprehensive	\$	\$
Medical Only		

2007		
Line Of Business	Direct Premiums Earned	Direct Losses Incurred
Medicare Supplement		
Dental Only		
Vision Only		
Disability Income		
Long-Term Care		
Title XVIII Medicare	8,668,397	8,448,598
Title XIX Medicaid	30,924,307	25,027,840
All Others	386,215	301,403
Total	\$39,978,919	\$33,777,841

The following table summarizes the company's Today's Health Medicare Advantage service areas or counties for the last two year along with the HMO Medicaid managed health services provided to Medicaid recipients.

Service Area/Counties

Area	2008	2007
Dodge	HMO only	HMO only
Jefferson	HMO only	HMO only
Kenosha	HMO only	HMO only
Milwaukee	HMO & MA	HMO & MA
Ozaukee	HMO & MA	HMO & MA
Racine	HMO & MA	HMO & MA
Washington	HMO only	HMO only
Waukesha	HMO & MA	HMO & MA

Complaints

The Office of the Commissioner of Insurance received twenty-one complaints against the company between January 1, 2007 to June 30, 2009. A complaint is defined as 'a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent.' The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

Complaints Received

January 1, 2009 to June 30, 2009										
Reason Type	Total		Underwriting		Marketing & Sales		Claims		Plychldr Service	
Coverage Type	No.	% Total	No.	% Total	No.	% Total	No.	% Total	No.	% Total
Health		%		%		%		%		%
Individual A&H		%		%		%		%		%
Group A&H		%		%		%		%		%
HMO		%		%		%		%		%
PPO		%		%		%		%		%
All Others	3	100%		%	3	100%		%		%
Total	3				3	100%				

2008										
	Total		Underwriting		Marketing & Sales		Claims		Plychldr Service	
Coverage Type	No.	% Total	No.	% Total	No.	% Total	No.	% Total	No.	% Total
Health		%		%		%		%		%
Individual A&H		%		%		%		%		%
Group A&H		%		%		%		%		%
HMO		%		%		%		%		%
PPO		%		%		%		%		%
All Others	16	100%		%	16	100%		%		%
Total	16				16	100%				

2007										
Reason Type	Total		Underwriting		Marketing & Sales		Claims		Plychldr Service	
Coverage Type	No.	% Total	No.	% Total	No.	% Total	No.	% Total	No.	% Total
Health		%		%		%		%		%
Individual A&H		%		%		%		%		%
Group A&H		%		%		%		%		%
HMO		%		%		%		%		%
PPO		%		%		%		%		%
All Others	2	100%		%	2	100%		%		%
Total	2	100%			2	100%				

II. PURPOSE AND SCOPE

A targeted market conduct examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from January 1, 2007 through June 30, 2009. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination. The company was selected due to the complaints against agents in the marketing of Medicare products to Wisconsin residents both senior and special needs. It was also selected because of the 2008 stipulation and order involving Wisconsin affiliates of Pennsylvania Life Insurance Company regarding supervision and oversight of agents.

The examination was limited to a review of the insurer's operations and practices in the areas of company operations/management, marketing sales and advertising, and producer licensing specific to the Medicare line of business (Medicare Advantage).

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

III. CURRENT EXAMINATION FINDINGS

Marketing, Sales & Advertising

The examiners reviewed the company's response to the OCI marketing, sales and advertising interrogatory, its marketing sales and advertising activities including telemarketing procedures, agent training, oversight and supervision, and agent complaint files. The examiners also interviewed company officials responsible for these activities.

The examiners requested that the company describe the company's oversight of its agent and agency supervisory program and how it monitored and initiated corrective action for agents marketing to Medicare beneficiaries. The company stated that it monitored complaints data for agents and managers. The company indicated that it would take action against the agent as appropriate and such actions included warning, additional recertification and training, suspension and termination. The company provided a copy the Market Conduct Compliance - Complaint Handling Guidelines (creation date unknown) and the Compliance Oversight Committee Charter (updated 8/24/09). The examiners found that the company did not have written procedures or processes in place to monitor the captive agents, brokers and agencies (local and out-of-state) doing business in Wisconsin. The examiners determined that the company's actions regarding agent/agency oversight was a reactive approach; therefore, the company did not monitor the agents until a complaint was received. The company's complaint procedures lacked detailed information on any action taken against the agent and/or agency.

The examiners requested audits of agents and/or agencies conducted by the company. The company provided a copy of the internal audit conducted on June 16, 2009 of a captive agency in Milwaukee. According to the information provided by the company the subjects of the audit were leads, training procedures, training materials, compliance training, security, agent files and community events. The audit indicated that the Milwaukee agency did not keep applications in secure locations and that it did not secure or keep files in the administrative area in a locked cabinet. The company recommended during the compliance

weekly meeting's topic on "how to prevent complaints" ongoing monitoring, unannounced agent ride-along and secret shopping assessment at community events. In the audit, the company acknowledged some confusion with the similarity with the names Abri's Today's Health and Pyramid Life Insurance Company's (a Universal American company) Medicare advantage plan called Today's Options. During the audit, the company did not find issues relating to the agency's use of sales lead cards however during agent complaint investigations OCI discovered the use of unapproved CMS lead cards.

- 1. Recommendation:** It is recommended that the company develop a process and written procedures to audit, monitor and provide oversight of its agents and agencies on a regular scheduled basis to ensure its compliance with Wisconsin insurance laws and regulations.

The examiners requested information from the company on its sales leads. The company indicated that it generated sales leads through a variety of sources; including direct mail, inbound phone, direct response television, and online inquiries. During the review of the company's agent complaints the examiners found an agent statement in which the agent stated that he obtained a list of Abri Health Plan Medicaid members and a list of Community CCRx Medicare Part D enrollees and used the list as leads for the marketing and sales of Today's Health Plan Medicare Advantage plans. The company indicated that agents did not have access to the Medicaid data or the Abri database. However, in some instances the company provided a listing of current Medicare Part D CCRx client data to contact those members in effort to determine if they were interested in Medicare Advantage plans that included prescription drug coverage.

During the November 4, 2009, interview with the managers and compliance officer, the Milwaukee sales manager acknowledged that he used the Abri Health Medicaid member list and provided those leads to agents. The sales manager stated that the Milwaukee sales office no longer used Medicaid members as leads. The company stated that it had not obtained prior

authorization from DHS regarding contacting Medicaid enrollees to market its Medicare Advantage plans.

2. **Recommendation:** It is recommended that the company monitor and oversight its sales' agencies to ensure that all leads provided to the agents are legitimate and approved prior to use.

The examiners reviewed 56 agent complaint files. During the interview with company officials, the company stated that its agent complaint files would not reflect the follow up with the agent based on the investigation conducted but that the agent files may or may not contain the follow up information. The examiners requested six agent complaint files to review the follow-up that had been completed by the company. The company indicated that it did not find any additional documentation. The examiners found that agent complaint number 36 indicated that agent 2510776 had "numerous complaints". The examiners requested all complaints against the agent along with a copy of agent's file. The company located one other complaint. The examiners found that the agent's file contained a warning letter for one of the complaints, the two other complaints did not include documentation of any follow up investigation by the company.

3. **Recommendation:** It is recommended that the company maintain an agent investigation log that includes documentation of the investigational steps taken and the outcome of the investigation including any corrective action.

The examiners requested that the company explain its process for notifying the OCI of misconduct or misrepresentation by its agents or telemarketers, and to demonstrate compliance with s. Ins 6.57 (2), Wis. Adm. Code. Section Ins 6.57 (2), Wis. Adm. Code, provides that when an insurer has knowledge of agent complaints received or problems experienced by the company involving company indebtedness, forgery, altering policies, fraud, misappropriation, misrepresentation, failure to promptly submit applications or premiums, poor policyholder service involving the intermediary being terminated, the insurer must submit documentation in writing within 30 days of the termination. The documentation does not need to prove violations but should include situations where possible violations exist. The company

responded that when it terminated an agent for cause the company notified OCI of the cause and that it provided supporting documentation.

During the November 4, 2009, interview with company officials, the examiners discussed an example where the company terminated the appointment for agent 2344296 as "canceled" but should have indicated the agent was terminated for cause. The company agreed that OCI should have been notified of the termination of the agent and the appropriate reason for the termination.

4. **Recommendation:** It is recommended that when the company has knowledge of complaints received or problems experienced by an agent being terminated to submit documentation within 30 days of the termination to be in compliance with s. Ins. 6.57 (2) (b), Wis. Adm. Code.

The examiners requested the company describe its process for monitoring the activities of entities that assume any of its business functions or act on the company's behalf, and to provide any corrective action plans regarding agent licensing vendors. The company provided a copy of the oversight documents used for provider organizations and service vendors involved with the Medicare Advantage program. The documents provided by the company did not contain any information regarding the monitoring of agent licensing vendors. The company indicated it used two vendors, Kaplan for its licensing process and IBR (International Business Research) for the credit and criminal background checks. The company stated that it did not provide direct or indirect oversight of the vendors.

The examiners requested that the company identify the name of the vendors and provide copies of vendor agreements for sales leads and lead generation services used. The company provided a copy of a contract between M&B Laser Image and Pennsylvania Life signed August 24, 2005, that listed all subsidiaries except Abri; a contract between SelectCare of Texas and the Mailing House/Woodlands Mailing & Fulfillment signed October 3, 2003; and a contract between all subsidiaries except Abri with NOVO 1 Inc. signed November 4, 2005. The examiners requested the company provide any contracts or contract amendments for sales lead

generator agreements signed during the period of review with Abri Health Plan. The company responded that the lead management department did not have contracts with the sales lead generation companies used.

- 5. Recommendation:** It is recommended that the company contract with the sales lead and lead generation services companies that it utilizes for obtaining sales leads.

Producer Licensing

The examiners reviewed the company's response to the OCI producer licensing interrogatory, data regarding producer appointments and terminations, agent agreements, the company's procedures and practices related to producer licensing, appointments and terminations. The examiners interviewed company management responsible for these activities. In addition the examiners reviewed a sample of active agent and terminated agent files.

The company's Agent Licensing/Agent Services Department was responsible maintaining agent files. The company used the vendor Kaplan for processing agent appointments and terminations.

The examiners requested that the company verify that all business it accepted was written by agents who were appointed with the company as required by CMS beginning January 1, 2009 for the marketing of Medicare Advantage plans and as provided in s. 628.11 Wis. Stat. and s. Ins 6.57 (5), Wis. Adm. Code. The company stated that per CMS guidelines for Medicare Advantage business, all applications must be accepted by the enrollment department and in turn the Agent Licensing/Agent Service Department would notify Universal American's Market Conduct Compliance Department for appropriate action to be taken when applications were received from agents who were not appointed. The examiners requested that the company provide copies of correspondence that was sent to the unlicensed/unappointed agent along with a list of agents that were notified of the licensing problem. The company responded that its on-

site company representatives would be prepared to address this issue. On November 5, 2009, company officials stated they could provide the list of unlicensed agents, and therefore, the examiners requested the list of agents who were unlicensed but submitted enrollment applications.. The company later responded that a list of all unlicensed agents who submitted enrollments could not be produced.

6. **Recommendation:** It is recommended that the company document and maintain records of the unlicensed and not appointed agents who submit applications to comply with s. Ins. 6.57 (5), Wis. Adm. Code and s. 628.11, Wis. Stat.

The examiners requested that the company describe the procedure for reconciling the annual billing statement sent to the company by OCI. The company provided the procedure "Agent Licensing Policies and Procedures," which under state DOI's "the following states are paid for via their DOI websites" for Wisconsin on page 4 of 5 did not list Abri Health Plan. The company stated that the exception was noted and the procedures would be updated.

7. **Recommendation:** It is recommended that the company update the Agent Licensing Policies and Procedures to include the company's name under the Wisconsin for the State DOI.

The examiners requested that the company explain how it maintained the agent data file. The company indicated that all agent data was housed in its administrative system, Capsil. The company provided a paper list of all agents that were active at any time during the period of review whether or not the agent produced any business. The paper list contained 731 agent names. However in the electronic agent data call the company provided only 275 agent names. The company indicated that the commission and licensing systems allowed edit tables to be created and maintained to verify agent information such as yearly certification dates and license information, both of which included start and stop dates. If the edits were not satisfied, the commission stopped and would not process or transmit to the agent's account. The company indicated that CMS marketing guidelines provided that all Medicare Advantage enrollment applications must be accepted by the plan sponsor's enrollment department. If the agent was not licensed or certified, the system edits in the commission and licensing system did not allow

the agent to be compensated for the application. The examiners found that the company did not have systems in place to prevent an unlicensed agent and/or an agent not appointed with the company to solicit, to market and to submit business to the company.

The examiners requested that the company provide an electronic list of all reports and/or summaries of agents' sales and commissions. The company provided as an example a copy of the weekly new business statement for agent 706713. The statement indicated that the agent submitted and received commission payment on three sales in 2009. The examiners found that OCI records indicated the agent's appointment with the company terminated on September 11, 2008. The examiners requested that the company explain how the company ensured compliance with s. Ins 6.57 (5), Wis. Adm. Code., which provides that no insurer shall accept business directly from any intermediary or enter into an agency contract with an intermediary unless the intermediary is a licensed agent appointed with the insurer. The company responded that it utilized a vendor Kaplan (AppointPak) to appoint agents and that the agent in question was contracted under the agency Nova Health Concepts. Agencies may be licensed by the OCI but the licensure does not provide the agency with the authority to act as an agent.

The examiners requested a list of all sales submitted by Agent 706713 from his termination date of September 11, 2008, through the date of the on-site review of agent files, October 26, 2009. The company identified one additional sale for a total of four sales by the non-appointed agent.

The examiners requested that the company provide a list of subagents listed under each agent or agency. The examiners compared the list with the company's agent data provided as part of the data call. The examiners found that the company failed to include eight agents, six were not licensed and two were not appointed during 2009, in the agent data. CMS's marketing guidelines provide that beginning January 1, 2009 Medicare Advantage plan sponsors must comply with State appointment laws that require plans to give the State

information about which agents are marketing the Medicare Advantage plans. The data indicated that the agents had not sold policies and were not paid commissions during the period of review.

The examiners requested that the company provide a list of all agents who wrote Medicare Advantage business in Wisconsin during the period of review. The company provided an electronic list of 275 agents. The examiners compared the agent data provided by the company with the agent licensing data maintained by the OCI. The examiners found that the company failed to include 385 agents in the agent data provided. The examiners requested that the company explain why the agents were missing from the company's agent data. The company indicated that the agent data it provided included all agents that were active at any time during the period of review and produced business during the time period. The examiners found that the company only provided 42% of agent records. The examiners found that the company did not maintain accurate agent records and the data provided to the OCI was incomplete.

8. **Recommendation:** It is recommended that the company develop a process and written procedures for the periodic audit its agency's records to ensure that no agent solicits markets and submits an application unless the individual is licensed and appointed to comply with s. 628.03, Wis. Stat.
9. **Recommendation:** It is recommended that the company develop a process and written procedures to ensure that its agent records are complete and accurate and to maintain its records in compliance with s. Ins. 6.80, Wis. Adm. Code.
10. **Recommendation:** It is recommended that the company develop a process and a written procedure to monitor agent's activity to ensure that it does not accept business directly from any intermediary or enter into an agency contract with an intermediary unless the intermediary is a licensed agent appointed with the company in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

The examiners reviewed a random sample of 50 active agents files. According to company procedures, the information it needed to appoint an agent according to company procedures included the agent name, social security number, license number, lines of authority, date of birth and appointment date. The examiners found that none of the 50 files reviewed

contained a copy of a validation report from the OCI or a copy of the agent license. The company stated it used the AppointPak system for processing the appointments and used the OCI website or the NIPR website to obtain information on an agent's license.

The examiners found nine agents that the company did not list an appointment date in the company system. The examiners found that thirty agents had been appointed more than 15 days after their hire date. The company effective date was found to be more than 15 days after the hire date for the agents also. The company stated that seven of the 39 agents were appointed more than 15 days after the contract signature date but that no business was written by the agents between the contract date and the appointment date. Four of the agents were appointed more than 15 days after the contract signature date and the company accepted business prior to appointment. The remaining 28 agents were appointed more than 15 days after the contract signature. The company stated that CMS guidelines allowed that no agent had to be appointed with a company until January 1, 2009. Section Ins 6.57 (1), Wis. Adm. Code, provides that an application for an intermediary -agent shall be submitted to the OCI within 15 days after the earlier of the date the agent contract is executed or the first insurance application is submitted.

11. Recommendation: It is recommended that the company include in its appointment guidelines an audit process to demonstrate that an intermediary-agent is appointed within 15 days after the signature date of the contract or first application is submitted to ensure compliance with s. Ins 6.57 (1), Wis. Adm. Code.

12. Recommendation: It is recommended that the company submit an application for agent appointment to the office of the commissioner of insurance and entered into the OCI licensing system in a format specified by the commissioner of insurance within 15 days after the earlier of the date of the agent contract is executed or the first application is submitted to comply with s. Ins. 6.57 (1), Wis. Adm. Code.

The examiners reviewed a random sample of 49 terminated company agents files. The company indicated that when it terminated an agent, the company file included the contract application, background information, hierarchy sheet, license copy, license agreement and or

contract, and commission schedule according to company guidelines. The examiners found that files did not include this information.

The examiners found that five of the 49 agent termination files contained a copy of the termination letter sent by the company to the agent. The examiners requested that the company provide copies of the termination letters for the remaining 44 files. The company provided a spreadsheet of the terminated agents indicating the action it had taken. The spreadsheet showed that three of the agents were not terminated but switched agent hierarchies and seven additional letters were provided by the company. The company was unable to provide a copy of the termination letter for the remaining 34 files. The examiners also requested a copy of the termination letter sent to agent 706713, who was identified in the marketing section of this report as having been terminated by the company on September 11, 2008. The company responded that it could not locate a copy of the termination letter sent to the agent. Section Ins 6.57 (2), Wis. Adm. Code, provides that prior to or within 15 days of filing the termination notice with the OCI, the insurer shall provide the agent written notice that the agent is no longer to be appointed as a representative of the company and that he or she may not act as its representative. This notice shall also include a formal demand for the return of all indicia of agency.

The examiners found nine agents were terminated in the company database but still showed as active in the OCI database. The company stated that it failed to terminate four of the agents in a timely manner, it failed to reprocess three agent terminations that were rejected by the state and it failed to send to the state notice of two agent terminations. Section Ins 6.57 (2), Wis. Adm. Code, states that notice of termination of appointment of individual intermediaries shall be filed prior to or within 30 days of the termination date with the OCI.

The examiners found 6 terminated agent files contained a termination date in the company system that was different from the date in the OCI database by more than 30 days. These six terminated agents the termination dates were after the January 1, 2009 CMS

appointment requirement. The examiners found that two agents were cancelled in the company system pending receipt of new contracting paperwork and then were terminated in the OCI system 60 days later when the paperwork was not received. The examiners also found that two agents were terminated upon receipt of the notice from the OCI, but that the termination in the company system took place more than 30 days after the OCI date. The examiners found that the agent licensing notices were sent by the company in error to the Abri main office in West Allis, Wisconsin not to the Florida office that actually processed appointments and terminations. One agent file had a termination notice dated November 12, 2008 from the office manager. The form stated the termination was effective 30 days from the date the agent was notified in writing of the termination. The company termination date was January 30, 2009, and the OCI date was July 31, 2009. The company did not provide a copy of the termination letter. One agent had an OCI termination date of April 23, 2008, and a company termination date of September 24, 2009. The company stated that the agent was reappointed effective April 8, 2009, and terminated in the OCI system effective November 17, 2009. The examiners requested that the company provide verification that it had not accepted business from agents during the time the agents were listed as terminated in the company system and the OCI system. The company did not respond to the question/request. The examiners requested that the company provide a copy of its procedures for notifying the OCI of an agent termination. The company provided a copy of how terminations were processed internally. The company's vendor, Kaplan, notified the state electronically of terminations and appointments. Section Ins 6.57 (2), Wis. Adm. Code, provides that notice of termination of appointment shall be filed prior to or within 30 calendar days of the termination date with the OCI.

13. Recommendation: It is recommended that the company send written notice that the agent is no longer appointed as a representative of the company and he or she may not act as a representative to all terminated agents

14. Recommendation: It is recommended that the company follow its procedures and develop a process for vendor oversight of agent terminations to ensure that agent appointments with the OCI are terminated within 30 calendar days of the

notice termination date to ensure compliance with s. Ins 6.57 (2), Wis. Adm. Code.

Company Operations/Management

The examiners reviewed the company's response to OCI's company operations and management interrogatory and interviewed company officials to obtain a better understanding of the company's operations and its relationship with Universal American.

During the November 4, 2009 interview with company officials, the company agreed that it needed to update its manual under the section "Marketing representatives training and oversight" to reflect that all representatives would be required to be licensed and appointed to successfully complete an in-house Medicare training program. The examiners found that the current version of company's policy and procedure manual stated that the representatives needed only to be licensed.

15. Recommendation: It is recommended that the company update the policy and procedure manual to reflect that all agents are required to be licensed and appointed to successfully complete an in-house Medicare training program.

During the interview the company stated that a Wisconsin Employee Compliance Manual was utilized by compliance employees. The examiners' review of the company's Wisconsin compliance plan created under the stipulation and order in the matter of Pennsylvania Life Insurance Company included a training program calendar that indicated Wisconsin compliance training was to be completed by November 30, 2008. The examiners requested the company describe the training program for employees and vendors conducting telemarketing/telesales. The company stated that all employees of the Bloom Marketing Group, a telephone based sales center in Bloomington, Indiana involved in a sales role had to complete a Medicare Advantage training program developed by Universal American. The examiners requested that the company explain if the Wisconsin compliance program under the Pennsylvania Life Stipulation and Order was part of the training for the Bloom Marketing Group telemarketers. The company responded that the Wisconsin compliance program would be

provided to all Bloom Marketing Group employees selling in the State of Wisconsin within the next 30 calendar days.

16. Recommendation: It is recommended that the company provide the required documentation of the completion of the training to the OCI within 90 days of adoption of the examination to ensure compliance with the stipulation and order between Pennsylvania Life (an affiliate) and the OCI.

The examiners requested from the company information regarding the training provided to its agents. The company provided training materials along with the new agent training schedule. The first week was five full days of training. The second week of training consisted of 5 days of half days of training. The examiners review of the company's agent appointments indicated that the company had a relatively new and/or inexperienced agent force regarding Medicare and Wisconsin insurance law. From January 1, 2007 to December 11, 2009, the company had 445 active appointed agents. Of these agents 203 (45.62%) held non-resident licenses. Of the 45.62% agents, 182 (89.66%) were residents of Indiana. The company had approximately 164 newly licensed agents in 2007 (36.85%). Of the newly licensed agents 75.61% (124 agents) were residents of Indiana. In 2008 the company had 93 newly licensed agents and 60.22% (56 agents) were residents of Indiana. Between 2007 and 2008, approximately 57.75% of the company's agents were new agents and 70% were residents of Indiana.

IV. CONCLUSION

The report examination contains 16 recommendations. Five Recommendations relate to the sales and marketing and eleven relate to producer licensing.

The examiners review of the company's oversight of Medicare Advantage and Medicare prescription drug plans the agent marketing activities indicated that the company did not comply with Wisconsin agent licensing requirements. The company was not able to consistently document the licensing and appointment status of agents submitting electronic applications. The examiners also have concerns regarding the company's investigation of the agent complaints. The examiners found that the company's approach was reactive in regards to the oversight of the agents.

Most of the company's procedures were established by Universal American for use by its affiliates. The examiners found that many of these procedures were either not applicable to the company or did not include the company in the documents.

VI. 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.

Name

Linda Low

Nitza Pfaff

Title

Insurance Examiner-Senior

Insurance Examiner-Journey

Respectfully submitted,

A handwritten signature in cursive script that reads "Lynn Pink" followed by a small flourish.

Lynn Pink Examiner-in-Charge
Examiner-in-Charge

V. SUMMARY OF RECOMMENDATIONS

Marketing, Sales & Advertising

- Page 07 1. It is recommended that the company develop a process and written procedures to audit, monitor and provide oversight of its agents and agencies on a regular scheduled basis to ensure its compliance with Wisconsin insurance laws and regulations.
- Page 08 2. It is recommended that the company monitor and oversight its sales' agencies to ensure that all leads provided to the agents are legitimate and approved prior to use.
- Page 08 3. It is recommended that the company maintain an agent investigation log that includes documentation of the investigational steps taken and the outcome of the investigation including any corrective action.
- Page 09 4. It is recommended that when the company has knowledge of complaints received or problems experienced by an agent being terminated to submit documentation within 30 days of the termination to be in compliance with s. Ins. 6.57 (2) (b), Wis. Adm. Code.
- Page 10 5. It is recommended that the company contract with the sales lead and lead generation services companies that it utilizes for obtaining sales leads.

Producer Licensing

- Page 11. 6. It is recommended that the company document and maintain records of the unlicensed and not appointed agents who submit applications to comply with s. Ins. 6.57 (5), Wis. Adm. Code and s. 628.11, Wis. Stat.
- Page 11 7. It is recommended that the company update the Agent Licensing Policies and Procedures to include the company's name under the Wisconsin for the State DOI.
- Page 13 8. It is recommended that the company develop a process and written procedures for the periodic audit its agency's records to ensure that no agent solicits markets and submits an application unless the individual is licensed and appointed to comply with s. 628.03, Wis. Stat.
- Page 13 9. It is recommended that the company develop a process and written procedures to ensure that its agent records are complete and accurate and to maintain its records in compliance with s. Ins. 6.80, Wis. Adm. Code.
- Page 13 10. It is recommended that the company develop a process and a written procedure to monitor agent's activity to ensure that it does not accept business directly from any intermediary or enter into an agency contract with an intermediary unless the intermediary is a licensed agent appointed with the company in order to comply with s. Ins 6.57 (5), Wis. Adm. Code.

- Page 14 11. It is recommended that the company include in its appointment guidelines an audit process to demonstrate that an intermediary-agent is appointed within 15 days after the signature date of the contract or first application is submitted to ensure compliance with s. Ins 6.57 (1), Wis. Adm. Code.
- Page 14 12. It is recommended that the company submit an application for agent appointment to the office of the commissioner of insurance and entered into the OCI licensing system in a format specified by the commissioner of insurance within 15 days after the earlier of the date of the agent contract is executed or the first application is submitted to comply with s. Ins. 6.57 (1), Wis. Adm. Code.
- Page 16 13. It is recommended that the company send written notice that the agent is no longer appointed as a representative of the company and he or she may not act as a representative to all terminated agents
- Page 16 14. It is recommended that the company follow its procedures and develop a process for vendor oversight of agent terminations to ensure that agent appointments with the OCI are terminated within 30 calendar days of the notice termination date to ensure compliance with s. Ins 6.57 (2), Wis. Adm. Code.

Company Operations/Management

- Page 17 15. It is recommended that the company update the policy and procedure manual to reflect that all agents are required to be licensed and appointed to successfully complete an in-house Medicare training program.
- Page 18 16. It is recommended that the company provide the required documentation of the completion of the training to the OCI within 90 days of adoption of the examination to ensure compliance with the stipulation and order between Pennsylvania Life (an affiliate) and the OCI.