

EXECUTIVE SUMMARY

A targeted market conduct examination of Companion Life Insurance Company was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from January 1, 2013 through December 31, 2015. The exam focused on short-term medical and limited benefit medical business issued to Kansas residents, with a review of complaint handling, producer licensing, marketing and sales, and operations and management as it relates to the issuance of policies. This included a review of the product distribution and TPA functions handled by HII.

There were various findings related to misrepresentation of the medical products, including the failure of the Company to ensure consumers were aware what the health premiums would be, or the fact that numerous additional “benefits” were added and charged for in addition to the insurance. The lack of oversight of HII was apparent, with the use of unfiled rates, unappointed producers, as well as lack of documentation on more than half of the files reviewed. There were also multiple instances of late and/or incomplete responses by the Company to inquiries, violations, and data requests during the examination.

Recommendations:

OPERATIONS AND MANAGEMENT

1. The Company must develop and implement procedures to both conduct periodic internal audits as well as review the activities of third-party entities contracted to perform various business functions.
2. The Company shall ensure it is adequately monitoring the activities of all entities assuming a business function or acting on its behalf.
3. The Company shall ensure all entities selling its products retain complete documentation so that the files can be reconstructed.
4. When receiving communications from the Kansas Insurance Department (KID), timely responses from the Company are expected. If additional time is needed, the Company shall contact KID (prior to the deadline) to request an extension.

COMPLAINT HANDLING

1. The complaint register must be maintained containing accurate fields as required.
2. While there is no statutory requirement for physically date-stamping all incoming complaint files, a recommendation will be made for process changes to ensure documentation is available to determine when correspondence is received.

MARKETING AND SALES

1. The Company shall ensure that membership applications state that the applicant will be purchasing both association membership and insurance coverage. There must also be a separate application for insurance.
2. The Company shall ensure the Schedule of Benefits includes the correct premium amount. The Outline of Coverage shall include a reference to the premium amount.

PRODUCER LICENSING

1. The Company shall ensure that all producers selling its products are properly licensed and appointed.

UNDERWRITING AND RATING

1. The Company shall ensure that it uses only rates as filed with KID.
2. The Company must implement procedures to ensure prospective consumers are fully aware at time of sale and receipt of the policy what the actual premiums are for the insurance product, and the cost and detail of all products being offered. The Company must also ensure documentation is available containing such information.
3. The Company shall ensure that consumers are able to purchase its insurance policies without being required to buy non-insurance benefits.
4. The Company shall ensure it uses forms as they have been filed with KID.
5. Prior to issuing group coverage to association members, the Company should conduct due diligence to ensure it is an active group with members organized and maintained for purposes other than the purchase of insurance.