

EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of The MEGA Life and Health Insurance Co. (MEGA). The examiners reviewed the company agent, advertising, complaint, and claims manuals. The exam team reviewed claim, and complaint files in the company's Administrative office in North Richland Hills, TX. A series of meetings were held with MEGA staff that focused on their current operations. To supplement and verify the understanding of how the company does business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The exam team has made recommendations on several issues.

LIST OF RECOMMENDATIONS

Complaint Handling

1. The company needs to review its consumer complaint and grievance procedures with all Divisions to guarantee uniform compliance in communicating with insured persons and to avoid violating company business standards. Acknowledgement letters should be sent within three days and written decisions should be clearly explained and sent to the insured person within 30 days. *Several divisions have acknowledged efforts to comply with these procedures.*
2. One of the requirements for complaint and grievance records is to explain the disposition of each complaint. All data contained on the complaint register must be accurate and reflect the facts of each complaint. The company needs to review the use of disposition form and freelance letters to determine uniformity and compliance with Kansas statutes. *The Consumer Affairs Department has indicated that they have instituted 16 additional disposition codes to better explain the disposition of each complaint. This enhancement was implemented 1/1/04.*

Marketing and Sales

1. Within 30 days Mega must review their advertising procedures to insure that they are complying with Article 9, Advertising, of the Kansas Administrative Regulations.
2. Within 30 days, MEGA must complete the filing of the "Starbridge Employer Trust" filing with all the variable plan options along with the rate manual for these options per K.S.A. 40-216 and K.S.A. 40-2215(b). *MEGA has advised KID's A&H Division that there were no active accounts as of March 2005 and filed the seven options as being "Filed for Informational Purposes".*
3. Within 30 days MEGA must present to KID a plan to monitor the distribution of their advertising materials including how many times an ad is requested for use by an

agent and the manner in which the ad will be distributed to the consumers per K.A.R. 40-9-100, Section 17(A).

Claims

1. The SID Division must submit a plan to KID within 30 days detailing how they are going to receive enrollment information from the schools in a timely manner to insure the prompt adjudication of claims for students enrolled at a particular school that is participating in the SID program.

Mega has indicated that since the exam they have implemented extensive changes to the processes and procedures used by SID's Premium Accounting Department. SID believes that these changes regarding enrollment information will ensure the prompt adjudication of claims for student enrolled at schools covered by MEGA policies.

2. NRH needs to be more consistent in sending acknowledgement letters to consumers if they are unable to resolve the claim within the first ten working days of receipt of the claim.

MEGA's has indicated since the exam they have implemented program changes in which an acknowledgement letter is generated regardless of the status of the claim unless the claim has already been paid or denied.

3. MEGA needs to review their claim procedures to insure that claims are being processed in a timely fashion. This would include both the processing of a clean claim within 30 days and the final adjudication of a claim with in 15 days after the required information is received per K.S.A. 40-2442, (a)(1)(2).

4. MEGA needs to review their claim procedures to insure that claims that are not processed with in the time lines specified in the Prompt Pay Act, K.S.A. 40-2442, have interest paid according to K.S.A. 40-2442, (b).