FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

BENEFIT SERVICES OF AMERICA, INC.

AS OF

APRIL 7, 2006

FLORIDA COMPANY CODE: 56011

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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Florida Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 636.206, Florida Statutes, a market conduct examination of Benefit Services of America, Inc., ("BSA" or "Company") was performed. The scope of this examination was April 7, 2005 through November 30, 2005. The examination began April 3, 2006 and ended April 7, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes regulates discount medical plan organizations, entities which, in exchange for fees, dues, charges, or other consideration, provide access for plan members to providers of medical services and the right to receive medical services from those providers at a discount.

The Company's records were examined at its offices located at 101 S. Wymore Rd., Suite 300 Altamonte Springs, FL 32714.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

This domestic corporation was licensed as a Discount Medical Plan Organization (DMPO) in Florida on April 7, 2005. Their plan, "Dental Benefits Plus," offers discounts on dental, chiropractic, pharmaceutical, vision and hearing services, as well as medical supplies and the storage of medical information.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies, prescriptions, and medical information storage and retrieval services.

PROVIDER NETWORK REVIEW

The Company has agreements with external network providers for its discount medical plan. Medical services discounts are available through written agreements with the following 4 companies:

- Signature Dental Plan of Florida, Inc; The Signature Life Insurance Company of America; Montgomery Ward Life Insurance Company; and Signature Agency, Inc. (Jointly called SIGNATURE) - dental
- Chiropractic Lifecare of America, Inc. – chiropractic services
- Medifile, Inc. - medical information storage/retrieval service

- Executive Buying Corporation ("EBC") - a network wholesaler that provides BSA with access to the following networks and services providers:
    - Associated Hearing/Beltone
    - Coast to Coast Vision Plan
    - PowerX National Health and Safety Medical Supplies
    - APN Pharmacy
    - NPN Mail-In Pharmacy

A review of the provider network agreements was conducted. The following violations were noted:

- 1 agreement did not contain a list of services and products to be provided at a discount, and the amount or amounts of the discounts or, alternatively, a fee schedule, which reflects the provider's discounted rates as required by Section 636.214(3) (a), Florida Statutes; and
- 2 agreements did not disclose that the provider would not charge members more than the discounted rates as required by Section 636.214(3) (a), Florida Statutes.

Corrective Action: The Company should ensure that all provider network agreements contain terms as required.

The Company failed to provide sample agreements between a provider and Chiropractic Lifecare of America, Inc. and a list of active service providers available through Executive Buying Corporation as required by Section 636.206(1), Florida Statutes.

Corrective Action: The Company should provide the Office with the requested documentation.

MARKETER REVIEW

BSA's "Dental Benefits Plus" Plan is marketed by 43 credit unions and 6 associations at reduced rates to their members. BSA also has an agreement with 1 individual marketer.

A sample of 8 credit union agreements, 1 association agreement and the 1 individual marketer agreement for BSA's "Dental Benefits Plus" Plan was reviewed for compliance with Section 636.228(2), Florida Statutes. All agreements contained the required provisions.

ACTIVE MEMBERSHIP REVIEW

As of November 23, 2005, the Company had 14,658 active memberships, 2,366 of which had enrollment effective dates on or after April 7, 2005. Of the total membership, 97% enrolled as members of a credit union, 2% enrolled with the Company as retail members, and 1% enrolled as association members.

Enrollment and Fulfillment Procedures

BSA handles enrollment, billing, fulfillment, and customer service for all members. Consumers enroll via the Internet or by calling BSA customer service directly. Once enrolled, BSA sends each member a packet that contains the entire membership agreement and their membership card.

Memberships after April 7, 2005

A random sample of 50 membership files with effective dates of enrollment on or after April 7, 2005, was reviewed. The membership files included call logs, subscriber history and payment history. Of the samples reviewed, 50% enrolled on the Internet and 50% enrolled by calling BSA directly. Nine (9) members reviewed paid a one-time processing fee that was not filed with or approved by the Office as required by Section 636.216(1), Florida Statutes.

Corrective Action: The Company should file all charges with the Office.

Memberships prior to April 7, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the April 7, 2005 date Benefit Services of America, Inc. was permitted to operate as a licensed DMPO, 381 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

Corrective Action: All members enrolled between April 1, 2005 and April 7, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

FORMS/CHARGES REVIEW

A review of the approved retail application forms, enrollment materials, fee schedules and amended membership agreement was conducted with the following violations noted:

- The application forms on the website do not have a unique form number in the lower left hand corner as required by Section 636.216(3), Florida Statutes, and Rule 69O-203.202(k), Florida Administrative Code;
- The website applications for members enrolling through a credit union or association have not been filed with or approved by the Office as required by Section 636.216(3), Florida Statutes, and Rule 69O-203.204(1)(a), Florida Administrative Code;
- The call script used by the Company to enroll members by telephone has not been filed with or approved by the Office as required by Section 636.216(3), Florida Statutes;
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- Members that enroll through the PATELCO Association receive a membership handbook that contains a different schedule of benefits than the one that was filed with and approved by the Office as required by Section 636.216(3), Florida Statutes;
- The Company provides members with a booklet called "America's Best Dental Plan!". This booklet contains the fee schedule and schedule of benefits for dental discounts. This booklet was not filed with or approved by the Office as required by Section 636.216(3), Florida Statutes and is not part of the written agreement that specifies the benefits under the plan as required by Section 636.216(2), Florida Statutes; and
- The Company filed periodic charges and one-time processing fees with the Office for all plans offered on March 16, 2005. On July 1, 2005, the Company increased its one-time processing fee and monthly and annual charges for new retail members. On November 1, 2005, the Company increased its one-time processing fee and monthly and annual membership charges for all credit union and association members. These increased charges and fees were not filed with and approved by the Office as required by Section 636.216(1), Florida Statutes, and Rule 69O-203.204(1)(b), Florida Administrative Code.

Corrective Action: The Company should file the corrected application form, including the website application form, the schedule of benefits, and all telephone scripts with the Office prior to their use. The membership agreement for the discount medical plan should contain all the benefits under the plan. The Company should also file all charges and fees with the Office.

CANCELLATION REVIEW

Between April 7, 2005 and November 30, 2005, the Company reported that 172 members cancelled within the first 30 days of their enrollment effective date. A sample of 50 files was reviewed to verify that full refunds of periodic charges were made as required by Section 636.208(2), Florida Statutes. All members received the appropriate refund. In addition, members of credit unions or associations received a refund of the processing fee.

An additional sample of 10 member files that cancelled more than 30 days after the effective date of enrollment and paid annually was reviewed. All members received pro rata refunds.

COMPLAINT/GRIEVANCE REVIEW

The Company has recorded 9 consumer complaints related to its discount medical plan since licensure. There were no complaints reported to the Florida Department of Financial Services, Division of Consumer Services, or to the Office, related to this discount medical plan during the scope of the examination.

A review of the 9 complaints demonstrated that the Company is following their policies and procedures that are in place to facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

WEBSITE REVIEW

A review of the Company's website, www.dentalbenefitsplus.com revealed the following violations:

- The website contains a list of dental providers, but does not include links to the providers for Chiropractic Lifecare of America, Beltone and Coast to Coast as required by Section 636.226, Florida Statutes; and
- The disclosures were not printed in not less than 12-point type as required by Section 636.212, Florida Statutes.

Corrective Action: The Company should maintain an up-to-date list of all providers on their Internet website as required. The Company should also ensure that all disclosures are printed in not less than 12-point type as required.

ADVERTISING REVIEW

The Company produced 9 advertisements used during the scope of the examination. A review of the advertisements revealed the following:

- All 9 advertisements failed to make it clear in the disclosures that BSA was the licensed discount medical plan organization. All advertisements state that "a GE Financial Company" through the Signature Network offers the dental network. Section 636.212(5), Florida Statutes, requires the name and address of the licensed discount medical plan organization be on the first page of an advertisement and Rule 69O-203.203(1), Florida Administrative Code, requires that the language be truthful and not misleading in fact or implication;
- 2 advertisements failed to have the disclosures on the first page of the advertisement as required by Section 636.212, Florida Statutes;
- 1 advertisement uses the term "Health Insurance" in a manner that could reasonably mislead a person into believing the discount medical plan was health insurance as prohibited by Section 636.210(1)(b), Florida Statutes;
- 1 advertisement had not been approved by the Company prior to use as required by Section 636.228, Florida Statutes;
- 6 advertisements did not have all of the disclosures printed in not less than 12-point type as required by Section 636.212, Florida Statutes; and
- 2 advertisements failed to contain all the disclosures required by Section 636.212(1)-(5), Florida Statutes.

Two (2) documents were discovered during the course of the examination that were not part of the original advertising file provided by the Company. Both documents are part of the enrollment package sent to all new members. The first document was a brochure entitled "America's Best Dental Plan!". The second was a flyer entitled "How To Use Your Benefits". Neither document contained the disclosures required by Section 636.212(1)-(5), Florida Statutes.

Corrective Action: The Company should ensure that all advertising materials are approved by the DMPO prior to use and that all advertising materials contain the required disclosures and those disclosures are printed in not less than 12-point type. The Company should also ensure that advertisements do not contain language that can mislead a member.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report.