

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

COMPBENEFITS COMPANY

AS OF

November 3, 2005

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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 CompBenefits Company (Company) was performed. The scope of this examination was April 1, 2005 through August 31, 2005. The examination began October 31, 2005 and ended November 3, 2005.

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 100 Mansell Ct., Suite 400, Roswell, Georgia.

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 Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

This foreign company was licensed as a Prepaid Limited Health Service Organization in Florida effective September 19, 1993. The Company was later licensed as a Discount Medical Plan Organization in Florida effective December 16, 2004, offering a discount dental plan.

Subsequent to the onsite examination, the Company notified the Office, via a letter certified by an Officer, that as of March 2006, CompBenefits Company is no longer offering discount plans in Florida.

PROVIDER NETWORK

The Company exclusively uses Careington International's *Care POS Dental Plan* provider network for its discount plan. The agreement between Careington International Corporation (Careington) and the Company, executed on September 7, 2004 and amended September 13, 2005, is a "Wholesale Marketing Agreement" whereby Careington provides a consolidated consumer benefits program to the Company on a wholesale basis. Careington is to approve, in writing, solicitation material, fulfillment materials, pricing, and enrollment and billing procedures produced by the Company.

The written agreement was reviewed to ensure it contained the provisions required by Section 636.214, Florida Statutes. The agreement includes a provision that Careington will provide a full provider list each month as required by Section 636.214(3)(c), Florida Statutes, however, the Company reported the following receipt dates of the provider lists from Careington: December 30, 2004, January 10, 2005, February 9, 2005 and May 2, 2005.

The last website update occurred five months prior to the onsite examination; therefore, the Company could not confirm the provider list was up-to-date as required by Section 636.226, Florida Statutes.

Corrective Action: The Company should establish a procedure to ensure that Careington provides an updated provider listing each month and to ensure the updated provider list is put on the website upon receipt.

ACTIVE MEMBERSHIP REVIEW

As of September 1, 2005, the Company had 68 memberships, 31 of whom enrolled on or after April 1, 2005. The call log, subscriber history and payment history for all members were reviewed. The findings for the 31 members enrolled on or after April 1, 2005 are addressed by this report.

Enrollment Procedure

Members enroll via the internet either directly or over the telephone with the assistance of a CompBenefits employee. Members who enroll directly print enrollment confirmation, membership cards and fulfillment materials after completing the enrollment process. For members who are enrolled by telephone, the CompBenefits representative prints the various fulfillment materials and mails them, on the same day, to the member. All enrollment data is stored electronically.

FORMS / CHARGES REVIEW

The Company printed enrollment and fulfillment materials for one new member from the websites www.compbenefitsdirect.com and www.mycompbenefits.com as an example of the documents that all new members complete and receive. The printed materials were not the forms that have been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes. Failure to use the approved forms resulted in enrollment and fulfillment materials that do not include the following elements required by Rule 69O-203.202(1), Florida Administrative Code: (g) renewal, termination and cancellation conditions; (i) all limitations, exclusions and exceptions; (j) provisions for adding new family members; (k) a unique form number; and (l) member complaint procedures. The enrollment and fulfillment materials also did not contain the disclosures as required by Section 636.216(2), Florida Statutes.

The Company is using the enrollment fee and periodic charges filed with the Office.

Corrective Action: The Company should discontinue use of the unapproved membership forms and use the membership forms filed with and approved by the Office. The Company should provide all active members with the Florida approved forms.

CANCELLATION REVIEW

The Company reported 35 membership cancellations, 16 of which were for members who enrolled on or after April 1, 2005. Of the 16, 6 cancelled within the first 30 days and received a refund of their periodic charges as required by Section 636.208(2), Florida Statutes; 5 memberships were cancelled because the credit card company declined payment; 4 members transferred to the Company's prepaid limited health plan; and 1 cancelled an annual membership and received a pro rata refund of his membership charges.

Enrollment Effective Date

The Company modified its existing computer system to accommodate the enrollment of members under its discount dental plan. According to the Company, system constraints dictate that the coverage effective date is recorded as the first day of the month in which the application was submitted ("System Effective Date"). The "Actual Effective Date" is also recorded and is listed as the effective date on the new application history. The actual enrollment date is important as Section 636.208(2), Florida Statutes, requires a discount medical plan to fully reimburse a member for periodic charges if the member cancels within the first 30 days after the effective date of enrollment. The Company reported that cancellations are processed manually from the "Actual Effective Date". The existence of two different effective dates can lead to errors when processing cancellations.

Corrective Action: The Company should ensure its staff processes cancellations within 30 days of the actual effective date of enrollment.

Active Membership Cancellation Requests

Cancellation requests were noted in 3 of the 31 memberships that were active as of September 1, 2005. Two members were permitted to cancel after the 30-day full refund period, but prior to the one-year contract term, while 1 of the members was told that the contract was a one-year contract. The membership files did not explain why the 2 members were permitted to cancel.

One active member was found to have made a written request to cancel within 30 days of the effective date but was not cancelled with a full refund as required by Section 636.208(2), Florida Statutes. The Company has acknowledged the Member Service Representative made an error and reports that they are processing this cancellation and refunding the member's charges.

Corrective Action: The Company should document the reason for the cancellation, based on its policy and procedure, for members who are permitted to cancel prior to the one-year term.

COMPLAINT / GRIEVANCE REVIEW

The Company has not recorded any complaints related to its discount medical plan since licensure. The Assistant Director of Operations, Planning & Development stated the current practice is not to record a call on the grievance log if a member is satisfied by the action taken by the Member Service Representative fielding the telephone call. The only issue that triggers a complaint is quality of care.

This practice differs from the written complaint procedures provided by the Company. The written "Complaints and Appeals" policy and procedure addresses both verbal and written complaints, and specifies four broad categories of complaints: Quality of Care, Administration, Benefit Limitation and Quality of Service. Section 636.205(1)(d), Florida Statutes, requires a DMPO to maintain a complaint procedure that will facilitate the resolution of subscriber grievances. The Company is not following its stated procedure to ensure that subscriber grievances are properly addressed.

One member inquiry from the membership review should have been handled and logged as a complaint based on the membership file notes.

Corrective Action: The Company should ensure that staff follows the "Complaints and Appeals" policy and procedure adopted by the Company.

WEBSITE REVIEW

As a condition for licensure, a discount medical plan organization is to establish an internet website page where it must maintain an up-to-date list of the names and addresses of its providers in order to comply with Section 636.226, Florida Statutes. The Company maintains 3 websites. A review of the 2 Company websites accessible for public viewing was conducted. The third is a membership only site.

- www.compbenefits.com – Is the Company's home page with general information about the Company and its various products and services. The site contains links to the two sites below:
- www.compbenefitsdirect.com – Is the site where consumers can view providers and enroll in either the Company's direct discount dental plan or the Company's prepaid dental plan. The options appear side by side to allow the viewer to compare the plans.
- www.mycompbenefits.com – Is a member service site and requires a user name and password.

The following issues were noted in the review:

- https://www.compbenefits.com/prod_serv/dental/discount_plans.html. This page identifies co-payments as a plan feature. Section 636.210(1)(b), Florida Statutes,

prohibits the use of terms that could reasonably mislead a person into believing the discount medical plan is health insurance.

- https://www.compbenefits.com/prod_serv/dental/discount_plans.html and www.compbenefitsdirect.com. The disclosures are not in 12-point type as required by Section 636.212, Florida Statutes.
- Other website issues are presented in the Provider Network and Forms / Charges Review sections.

Corrective Action: The Company should ensure that all pages contain the necessary disclosures in 12-point type and avoid phrases that could lead a person to believe the plan is insurance.

ADVERTISING REVIEW

The Company advertises solely through the website. Agents who are soliciting other CompBenefits products offer the discount plan as a “plan of last resort.” The Company reports only individual sales to date.

The Company provided a copy of the Broker Kit used by its agents in soliciting CompBenefits products and identified the page headed “Reduced Fee for Service” as the page for its Discount Medical Plan. The page does not contain the disclosures required by Section 636.212(1), (3) and (4), Florida Statutes. The page does not specifically identify the plan as a discount medical plan, and uses insurance terms such as “scheduled co-payments”, “claims”, and “waiting period” without making a clear statement that the plan is “not insurance.” The use of terms that could reasonably mislead a person into believing the discount plan is health insurance is prohibited by Section 636.210(1)(b), Florida Statutes. The page also does not contain the website address where a list of discount plan providers can be found as required by Section 636.226, Florida Statutes.

Corrective Action: The Company should amend the page in the broker kit to clearly reflect it pertains to the discount medical plan, to include the required disclosures, and to include the website address where a prospective member can view a list of the providers.

The Company provided a telephone script used when soliciting members over the telephone. The script does not indicate the Company orally discloses that the plan provides discounts at certain health care providers for medical services, that the plan does not make payments directly to the providers or medical services, or that the plan member is obligated to pay for all health care services but will receive a discount as required by Section 636.212(2), (3) and (4), Florida Statutes.

Corrective Action: The Company should modify the telephone script to include the required disclosures.

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.