

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

INTERNATIONAL ASSOCIATION OF BENEFITS

AS OF

JULY 14, 2006

FLORIDA COMPANY CODE: 56033



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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 International Association of Benefits (International or Company) was performed. The scope of this examination was May 26, 2005 through April 30, 2006. The onsite examination began July 10, 2006 and ended July 14, 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 701 Highlander Boulevard, Suite 500, Arlington, TX 76015.

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 foreign Company has been offering discount cards since 1984 and has over 300,000 members enrolled nationwide. International was licensed as a Discount Medical Plan Organization (DMPO) in Florida on May 26, 2005.

The Company offers 3 discount plans in Florida: Sunshine Savings Plan, Sunshine Savings Plan Plus, and United Family Plus. The 3 plans offer discounts to varying packages of medical services including vision care, dental care, hearing, pharmacy, diabetic supplies, and nurse hotline.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies or prescriptions.

PROVIDER NETWORK AGREEMENT REVIEW

The Company has an agreement with a single provider network, New Benefits, for the discount medical plans that it makes available to its members. A copy of the Company's provider network agreement with New Benefits was reviewed. The following violations were noted:

- The provider network agreement did not require the agreement between the network and its contracted providers to contain a list of the 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

- The agreement did not require the network to provide an up-to-date list of its contract providers on a monthly basis to the discount medical plan organization as required by Section 636.214(3)(c), Florida Statutes.

Corrective Action: The Company should ensure that all provider network agreements require the network list the 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 providers discounted rates; and provide an up-to-date list of its contract providers on a monthly basis.

PROVIDER AGREEMENT REVIEW

International Association of Benefits does not contract directly with any providers at this time.

MARKETER AGREEMENT REVIEW

International has agreements with 532 marketers to sell its discount medical plans to Florida residents. A sample of 20 marketer agreements was review for compliance with Section 636.228, Florida Statutes. According to the Company, all marketers enroll electronically over the internet, so there is no paper agreement. The electronic agreement contains the language and provisions required by Section 636.228, Florida Statutes.

The Company also has an agreement with 1 private label marketer, Consumer Resources Network, LLC, for the sale and distribution of its plan. The private label marketer only sells the United Family Plus plan. A copy of the agreement between the Company and Consumer Resource Network, LLC was reviewed and contains the provisions required by Section 636.228, Florida Statutes.

ACTIVE MEMBERSHIP REVIEW

As of April 30, 2006, the Company had 1,114 active members in Florida. According to the Company, all active members were enrolled after its licensure date of May 26, 2005.

A random sample of 50 active membership files with enrollment effective dates on or after May 26, 2005 was reviewed. The Company provided data from its internal system for review. The data included payment history, plan name, member information, enrollment data and customer notes. The findings for the sample reviewed are included in the Forms/Charges Review section of this report.

Enrollment and Fulfillment Procedures

Enrollments are made online or over the telephone. All members enrolling in the United Family Plan do so over the telephone. Sunshine and Sunshine Plus members can enroll either via a paper application or online. Once enrolled, International mails each member a membership handbook containing the plan benefits and membership agreement.

FORMS/CHARGES REVIEW

A review of the forms and charges utilized by the Company was conducted. The following violations were noted:

- 241 members were enrolled prior to the Company's forms being filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should only enroll consumers on forms that have been filed with and approved by the Office.

- The United Family Plus plan telephone script used to enroll members was not filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should file with and receive approval from the Office for all telephone scripts prior to enrolling members.

- The United Family Plus plan membership handbook does not contain a place for the members name or group name as required by Rule 69O-203.202(1)(c), Florida Administrative Code; and
- The United Family Plus plan membership handbook does not list the benefit provided with the vision services as required by 69O-203.202(1)(h), Florida Administrative Code.

Corrective Action: The Company should revise the United Family Plus plan membership handbook to provide a space for the member's name or group's name and a listing of the benefit associated with the vision services. The revised membership handbook should be filed with and approved by the Office prior to its use.

- The online application form located on the Company's website, www.iabbenefits.com, does not contain a unique form number in the lower left hand corner, as required by Section 636.216(3), Florida Statutes and Rule 69O-203.202(1)(k), Florida Administrative Code; and has not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should only enroll member's online using forms that have been filed with and approved by the Office. In addition, the Company should place a unique form number in the lower left hand corner of the online application and file it with the Office for approval.

- The online application for Sunshine Savings plan includes an option for monthly or quarterly payments for the association fee; however, the Sunshine Savings plan handbooks that have been filed with and approved by the Office fail to contain a space for the provision of changing the mode of payment as required by Rule 69O-203.202(1)(f), Florida Administrative Code.

Corrective Action: The Company should modify the Sunshine Savings plan handbook to include a provision for changing the mode of payment and resubmit the form to the Office for approval.

- The Company has a business enrollment form for enrolling groups that has not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should ensure that all forms being used to enroll members in a discount medical plan have been filed with and approved by the Office prior to use. The business enrollment form for groups should be filed with the Office.

CANCELLATION REVIEW

During the scope period of the examination, the Company reported 3,114 members cancelled their memberships. A random sample of 50 files for members that cancelled within the first 30 days after their effective date of enrollment in the plan was reviewed for compliance with Section 636.208, Florida Statutes. The following violations were noted:

- 12 files did not evidence that the member received a reimbursement of all periodic charges as required by Section 626.208(2), Florida Statutes.

In preparation for this examination, the Company discovered an additional 452 files where members cancelled within the first 30 days after their enrollment effective date and had not received a reimbursement of all periodic charges. Between May 25, 2006 and June 8, 2006, the Company advised these members received reimbursement of all periodic charges.

Corrective Action: The Company should ensure the correct reimbursement of charges is made to all eligible members. The Company should also implement written procedure to ensure that reimbursements are made in a timely manner.

COMPLAINT/GRIEVANCE REVIEW

Pursuant to Florida Office of Insurance Regulation, Consent Order No. 79914-05, the Company is to respond to consumer complaints within 10 days of receipt of the initial complaint. In addition, the Company is to maintain a log of all complaints and file a copy of the log with the Office quarterly.

The Company has record of 34 consumer complaints related to its discount medical plan during the scope of the examination, with 2 complaints reported directly to the Department of Financial Services, Division of Consumer Services, or the Office.

A review of documentation regarding complaints and grievances submitted by the Company revealed that the Company is following its policies and procedures to resolve member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

ADVERTISING REVIEW

International failed to submit any advertisements for review. During the exam, a brochure entitled "The Benefits of International Association of Benefits, Inc." was provided. A review of this brochure was conducted. The following violation was noted:

- The brochure failed to contain any of the disclosures as required by Section 636.212, Florida Statutes.

In addition, a website presentation was reviewed at www.iabweb.com/med4you. The following additional violation was noted:

- The website presentation did not contain the disclosures required by Section 636.212, Florida Statutes.

Corrective Action: The Company should ensure that at all advertisements contain the required disclosures.

Membership ID cards for the Company's 3 discount medical plans were reviewed with no errors noted.

WEBSITE REVIEW

As a condition for licensure, a discount medical plan must establish an Internet website page and maintain an up-to-date list of the names and addresses of its providers for compliance with Section 636.226, Florida Statutes. The Company maintains 1 website: www.iabbenefits.com. Network providers are located on the Company's page under the "Members" link. From that link, there is a link to "locate providers," which is a searchable, online provider directory hosted and maintained by New Benefits. The directory for the 2 internal networks is updated daily, and the directory for the external network is updated monthly. The provider list is kept up-to-date as required by Section 636.226, Florida Statutes.

The review of the website's main page and a link on the main page for Florida residents was conducted. The following violation was noted:

- The website main page and the link for Florida residents did not contain the disclosures required by Section 636.212, Florida Statutes.

Corrective Action: The Company should ensure that the required disclosures are contained on the website main page and the link for Florida residents.

The Company hosts different websites for its marketers to view standards and to obtain mandatory templates. These websites are located at www.iabweb.com/marketer. Two (2) marketer websites were selected for review. The following violation was noted:

- Both websites failed to contain the disclosures as required by Section 636.212, Florida Statutes.

Corrective Action: The Company should ensure that the required disclosures are on the first page of all websites and the template it provides to its marketers contains the required disclosures.

A review was conducted of 3 websites managed and maintained by one of the Company's marketers, Signature Health Group. The website address and violations for each site are as follows:

www.hcaplus.com

- This website allowed users to enroll in International's plan online on forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes. The website had not been approved by the Company prior to its publication online as required by Section 636.228(1), Florida Statutes;

During the onsite examination, the Company had the marketer remove the www.hcaplus.com website.

www.iabplus.com

- This website did not contain the disclosures on the first page as required by Section 636.212, Florida Statutes. The first page of the website contains a "disclaimer notice" link. The disclaimers provided on this page fail to list the name and address of the licensed discount medical plan organization as required by Section 636.212(5), Florida Statutes. In addition, the link for "Free Health Consult Click Here" contained an incorrect money back guarantee notice. The use of misleading information is a violation of Rule 690-203.203(2)(a) and (b), Florida Administrative Code. The website had not been approved by the Company prior to its publication online as required by Section 636.228(1), Florida Statutes; and

www.signaturhealthgroup.com

- This website did not contain the disclosures on the first page as required by Section 636.212, Florida Statutes. The link for “Company Mission” contains misleading information by stating, “we [Signature Health Group] have established one of the largest provider networks.” In addition, the “Health Plans” page states that the plan is endorsed by presidential administrations. The use of misleading information is a violation of Rule 690-203.203(2)(a) and (b), Florida Administrative Code. The Company had not approved the website prior to its publication online as required by Section 636.228(1), Florida Statutes.

Corrective Action: The Company should ensure that all marketer websites contain the required disclosures and are approved by the Company prior to their use. The Company should also create a procedure to ensure that no websites contain misleading or incorrect information and that all forms used online to enroll members are filed with and approved by the Office prior to use.

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.