FINANCIAL SERVICES COMMISSION

FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

NATIONAL BENEFIT ADVISORY ASSOCIATION, INC.

AS OF

NOVEMBER 3, 2006

FLORIDA COMPANY CODE: 56036

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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 National Benefit Advisory Association, Inc. (NBAA or Company) was performed. The scope of this examination was September 26, 2005 through July 31, 2006. The onsite examination began October 30, 2006 and ended November 3, 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 4704 Highway 377 South, Fort Worth, TX 76116.

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

The Company was incorporated in the State of Delaware as Young Lords, Inc. on June 15, 1993. The name was changed to National Benefit Advisory Association on March 15, 2000. NBAA provides discounts on various healthcare and consumer services to members and their families in numerous states through a range of plans offering different levels of benefits. In 2003, NBAA assumed the membership of two associations: National Savers Association and American Association for Consumers Benefits. A special benefit package named "Saver" was developed to continue the assumed association's membership in a plan resembling the one they originally purchased. Several other discount plans are available to members, with or without the discount medical plan. NBAA was licensed as a Discount Medical Plan Organization (DMPO) in Florida effective September 26, 2005.

PROVIDER NETWORK AGREEMENT REVIEW

The Company has agreements with 4 provider networks that provide discounts to medical services and pharmacies for members participating in the discount medical plan.

The provider network agreements with Managed Prescription Solutions, Inc. and ScripSolution, Inc. were not reviewed as pharmaceutical supplies or prescriptions are not regulated by Chapter 636, Part II, Florida Statutes.

A review of the provider network agreements with Careington International Corporation and American Health Network, Inc. d/b/a Galaxy Health Network was conducted. The following violations were noted:

- 2 provider network agreements fail to include a provision requiring that an up-to-date list of contract providers be provided on a monthly basis as required by Section 636.214(3)(c), Florida Statutes;
- 2 provider network agreements fail to include a provision that a provider will not charge members more than the discounted rate as required by Section 636.214(3)(a), Florida Statutes; and
- 1 provider network agreement with American Health Network, Inc. violated Section 636.214(1), Florida Statutes, by entering into the agreement with American Business Management instead of directly with the DMPO.

Corrective Action: The Company should ensure that all provider network agreements contain terms and provisions as required and all agreements are entered into directly with the provider or the provider network.

Subsequent to the exam the Company amended the provider network agreement with American Health Network, Inc. to state that American Business Management entered into the agreement on behalf of NBAA and NBAA assumes all rights and responsibilities under the agreement.

PROVIDER AGREEMENT REVIEW

The Company does not contract with individual providers.

MARKETER AGREEMENT REVIEW

The Company has agreements with 50 individual marketers to sell its discount medical plan to Florida residents. A random sample of 11 marketer agreements was reviewed for compliance with Section 636.228, Florida Statutes. No violations were noted.

ACTIVE MEMBERSHIP REVIEW

As of July 31, 2006, the Company had 247 active discount medical plan memberships, 231 of which had enrollment effective dates on or after September 26, 2005.

Enrollment and Fulfillment Procedures

Enrollments are handled directly by the Company or its marketers. The Company is responsible for mailing to members the fulfillment package; known as the Membership Guide, that includes membership ID Cards, membership agreements, and a description of benefits.

Enrollment Effective Date

The effective date for members is the first of the month following the date of the application unless otherwise requested by the applicant.

Memberships on or after September 26, 2005

A random sample of 50 files with enrollment effective dates on or after September 26, 2005 was reviewed. The following violation was noted:

- 1 file failed to contain a written agreement between the Company and the member as required by Section 636.216(2), Florida Statutes.

Corrective Action: The Company should retain copies of all member applications and written agreements.

Memberships prior to September 26, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and September 26, 2005, the date National Benefit Advisory Association was permitted to operate as a licensed DMPO, it enrolled 288 members. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

This issue was addressed in Consent Order # 82671-05 executed in September 2005 as a condition of licensure.

The Company contacted all Florida discount medical plan members who enrolled prior to licensure on September 26, 2005. It informed the members of the benefits of the discount medical plan and advised them of the charges for the plan. The members were invited to contact the Company via a toll-free number or to refer to the Company's website regarding any questions.

FORMS/CHARGES REVIEW

A review of the charges, enrollment form, and fulfillment package was conducted. The following violations were noted:

- The enrollment form did not include an effective date and term of contract as required by Rule 69O-203.202(1)(d), Florida Administrative Code. It should be noted that in the active membership file review and the cancellation review, effective dates on the enrollment forms were frequently hand-written by the marketers;
- The enrollment form failed to include renewal conditions as required by Rule 69O-203.202(1)(g), Florida Administrative Code;
- The enrollment form failed to include provisions for adding new family members as required by Rule 69O-203.202(1)(j), Florida Administrative Code;
- The fulfillment package (Membership Guide) failed to display the form number that was approved by the Office as required by Section 636.216(3), Florida Statutes; and
- The fulfillment package (Membership Guide) contains the term "RX" on the cover. This term could be misleading since pharmacy and prescription benefits are not part of the discount medical plan, but must be applied for and paid for separately as a "non-medical" benefit. The use of misleading terms is a violation of Section 636.210(1)(b), Florida Statutes

Corrective Action: The Company should ensure all forms contain a form number and enrollment forms contain all elements as required. The Company should also ensure forms do not include misleading terms. All forms that have been modified must be filed with and approved by the Office prior to use.

CANCELLATION REVIEW

During the scope period, the Company reported that 71 members cancelled their membership within the first 30 days after the effective date of their enrollment. A review of the 71 files was conducted. The following violation was noted:

- 3 files did not contain evidence of the reimbursement of all periodic charges as required by Section 636.208(2), Florida Statutes.

Corrective Action: The Company should ensure that it refunds all periodic charges to members who cancel their membership within the first 30 days after the effective date of their enrollment.

COMPLAINT/GRIEVANCE REVIEW

The Company has recorded 11 consumer complaints related to its discount medical plan since licensure. A review of the complaint files revealed that the Company is following its written procedures and that all complaints were addressed in a timely manner.

Policies and procedures are in place to facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

WEBSITE REVIEW

As a condition of licensure, a discount medical plan organization must maintain and establish an internet website. The Company maintains one (1) website, www.nbaabenefits.com that was reviewed. No violations were noted.

ADVERTISING REVIEW

The Company provided one (1) advertisement piece for review. The advertisement piece is titled, "Marketer's Brochure" and is used solely for the marketing of the Company's discount medical plan. No violations were noted.

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.