

REPORT OF MARKET CONDUCT EXAMINATION
OF
UNITED WISCONSIN LIFE INSURANCE COMPANY
GREEN BAY, WISCONSIN 54307
BY
KANSAS DEPARTMENT OF INSURANCE
As Of
JUNE 30, 2001

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EXECUTIVE SUMMARY

The Kansas Department of Insurance (“KID” or “Department”) performed a market conduct examination of United Wisconsin Life Insurance Company (“UWLIC” or the “Company”). The examination was conducted by reviewing Company manuals, provider contracts, claims, underwriting files of large groups and small groups, emergency room claims, grievance procedures, and holding a series of meetings with UWLIC staff that focused on current operations. To supplement and verify the understanding of the examiner, a series of samples were selected for review.

UWLIC passed most tests and, in terms of delivering good service to its subscribers, the examiner was impressed with the overall positive service provided to the members by UWLIC staff and management. The examiner has made recommendations on several issues. Where deficiencies have been identified, corrective action should remedy the problems identified.

The examiner reviewed the UWLIC’s preferred provider organization Provider Contracts. The agreement provides Physician Agreements and Obligations, Plan Agreements and Obligations, Plan's Payment for Physician Services, Utilization Review and Quality Assurance Program, Records, Mutual Obligations, and Term and Termination.

The examiner reviewed a sample of Emergency Room (“ER”) claims. The ER claims were reviewed for timeliness of processing and whether the definition of Emergency treatment was consistent in determining whether an ER claim should be paid or denied. A sampling of the medical claims were also reviewed to determine if the claims were reviewed in a timely manner for processing, number of suspended claims, and accuracy of the claims processed according to policy language utilized by the different member groups. The examiner determined that UWLIC appears to handle claims consistently in terms of the content, the organization, and the decisions made, whether the claim was submitted on paper or electronically.

UWLIC has a formal procedure for auditing participating providers and participating hospitals to assure that providers and hospitals do not seek or secure payments from the members in violation of statutory and contractual requirements.

UWLIC has language in all the Provider Contracts, in the Hospital, and Ancillary Agreements addressing the grievance and appeal process.

UWLIC has a Network Security Policy to assure protection of UWLIC information handled by computer networks. UWLIC is constantly reviewing the status of UWLIC computers and network security systems.

UWLIC has a Disaster Recovery Plan that is periodically reviewed, updated and tested.

LIST OF RECOMMENDATIONS

Agent Licensing

Recommendation 1. All agents/brokers or agencies must have a company appointment per K.S.A. 40-241i.

Recommendation 2. If appointing an agency with multiple locations branch office, each branch must be appointed as a separate entity and such agencies and agents must be licensed by the Kansas Insurance Department. KSA 40-240 (b).

Underwriting/Forms

Recommendation 1. UWLIC should move forward as soon as possible to correct the display problem with its system so the correct revision date is displayed on its database to avoid the possibility of someone misreading a form/rider and providing incorrect information to a customer.

Underwriting /Rating

Recommendation 1 UWLIC should make sure that the rate package submitted to KID for approval is complete and that they use only those rates approved by the department. KSA 40-2215.

Honorable Sandy Praeger
Insurance Commissioner
Kansas Insurance Department
420 SW Ninth Street
Topeka, KS 66612

September 11, 2003

Dear Commissioner Praeger:

In accordance with your respective authorization, and pursuant to K.S.A. 40-222, a market conduct examination has been conducted on the business affairs of:

United Wisconsin Life Insurance Company

Green Bay, WI. 54307

Hereafter referred to as “UWLIC” or the “Company”, and the following report as such examination is respectfully submitted,

Lyle Behrens, CPCU, CIE, ARM
Market Conduct Supervisor
Examiner in Charge

REPORT OF MARKET CONDUCT EXAMINATION

United Wisconsin Life Insurance Company

SCOPE OF EXAMINATION

The scope of the examination included, but was not limited to reviewing agent/broker licensing, agency licensing, membership agreements, manuals, provider contracts, claims from January 1, 1999 through June 30, 2001, Emergency Room claims, advertising, rates and forms, underwriting for small groups and large groups, complaint handling, current reinsurance agreement, quality of care report, credential or accreditation of providers, grievance and appeal procedures, and the Disaster Recovery Plan. A copy of the UWLIC current organizational chart outlining individual responsibilities and the relationships of affiliates, regional offices, branch offices, and any other entities involved was reviewed for a better understanding of the overall flow of the corporate operations.

This market conduct examination was conducted in accordance with guidelines of the Department and criteria and standards as set forth in the NAIC Examiners Handbook, Volume II, Market Conduct.

The purpose of the examination was to review UWLIC for compliance with Kansas Insurance Laws and the Kansas Insurance Department Regulations.

METHODOLOGY

The examination was conducted by reviewing company manuals, the claims database, sampling of claims, emergency room claims, out of area claims, underwriting files for small and large groups, provider contracts, grievance procedures, and holding a series of meetings with several UWLIC staff to better understand each department and individual responsibilities. To supplement and verify the understandings of the examiner, a sample of underwriting files were also pulled to review rates and verify that the forms were filed with the Kansas Insurance Department.

COMPANY PROFILE

American Medical Security Group, Inc. ("AMS Group") is a holding company and a description of the relationship between AMS Group, UWLIC, and American Medical Security, Inc. ("AMS") follows along with an organizational chart. (Attachment 1)

AMS Group is a holding company. Its primary business is to hold a controlling interest in the securities of other companies. AMS Group is the company traded on the New York Stock Exchange as "AMZ." AMS Group is at the top of the organizational chart of the AMS Group family of companies; it is the indirect parent company to AMS Inc., UWLIC, and other subsidiary companies.

UWLIC, as its name implies, is an insurance company or an insurer. UWLIC is a wholly owned subsidiary of AMS Group (through an intermediary holding company, American Medical Security Holdings, Inc.). UWLIC is responsible for any risks or losses from the health insurance products, which are filed in and approved by each state where AMS Inc. markets. A.M. Best rates UWLIC for its operating and financial performance.

AMS is a third-party administrator ("TPA") and a wholly owned subsidiary of AMS Group (through an intermediary holding company, American Medical Security Holdings, Inc.). AMS Inc. is one member of a family of companies that delivers health insurance products to customers throughout the country. Most personnel in the home office and sales offices are employees of AMS Inc. AMS Inc. is not a health insurance company, rather it serves to:

- Administer health benefit plans for self-funded customers and for fully insured customers on behalf of UWLIC and other insurance companies. Administration includes underwriting, processing claims, billing and collecting premiums, and answering customer questions.
- Design and market health benefit plans. That means AMS Inc. develops combinations of different co-pay, deductible, and coinsurance limits; PPO and non-PPO fully insured plan designs; and the marketing materials that describe these plan designs.

AMS Inc. designs plans (GroupMedChoice, MedOneChoice, GroupDentalChoice, etc.), but UWLIC insures the plans and accepts the risk for those plans. In addition, FundingChoice and other self-funded products designed by AMS Inc. may include excess loss insurance coverage underwritten by UWLIC.

Each company has a distinct function. AMS Inc. administers benefits; UWLIC and/or other insurers accept the risk on fully insured products.

Attachment 2 lists the Reinsurance Agreements for which UWLIC has ceded risk, "*United Wisconsin Life Insurance Company Ceded Reinsurance Summary 2000*" and for which UWLIC is the reinsurer, "*United Wisconsin Life Insurance Company Assumed Reinsurance Summary 2000*".

The Officers and Directors of the UWLIC as of December 31, 1999, were as follows:

- President: Samuel Valentine Miller
- Secretary/Vice President: Timothy Joseph Moore
- Treasurer/Vice President: Carol Patricia Sanders
- Actuary/Vice President: James Carl Modaff

Other Officers: Christopher Norman Earl, Gary David Guengerich and Thomas Gary Zielinski.

Directors: Gary David Guengrich, Samuel Valentine Miller and Timothy Joseph Moore.

INTERNAL AUDITS

The Internal Audit Department of AMS, which is the parent holding company, performs audits on UWLIC (insurer) and AMS (TPA). Internal Audit reviews all areas of UWLIC and AMS to ensure controls are adequate to account for and safeguard assets, deter fraud, recognize errors, and promote the efficient and effective use of resources.

Internal audits of UWLIC's operational procedures and internal controls are performed by the Internal Audit Department, which reports directly to the Chairman, President and CEO, Executive Vice President and Chief Financial Officer, and Audit Committee of the Board of Directors of American Medical Security Group, Inc.

ANTIFRAUD PLAN

In an effort to combat fraud against business underwritten by UWLIC and administered by American Medical Security, AMS has a formalized program that incorporates prevention, detection and reporting methods that are outlined in an Anti-fraud Plan. AMS has also established a Special Investigations Unit (“SIU”) that maintains programs to identify and deter fraud and abuse against AMS and its clients. The SIU includes 6 full –time investigation Specialists. This unit is responsible for evaluating, investigating and resolving allegations and occurrences of fraud and abuse. This unit actively investigates questionable claims, eligibility of insureds and employer groups, agent activity, providers and internal fraud. In addition the internal department monitors the activities of the TPA.”

The Anti-Fraud Program consists of:

1. Education – Of employees, agents and SIU Investigator training.
2. Prevention – In Claims, Administration, Underwriting, Finance, IT, Licensing, Agent and Commissions Departments.
3. Detection – By department and red flags by product line.
4. Fraud Review and Investigation – Procedures.
5. Recovery, Litigation and Prosecution.
6. Reporting.

NETWORK SECURITY POLICY

Computer Systems

Claims, policies, and records are maintained on the AS400s systems, which were developed in-house.

Strategic Planning

AMS has established a rapidly growing information technology environment. Through the development of an executive steering committee (which includes the EVP of Operations, CIO, Sr. VP of Sales, EVP of Finance, Sr. VP of Legal and EVP of Actuarial) strategic guidance flows down through the IT Department

Information Systems Security Staff

During 1998, the Company hired a dedicated information security manager. This individual is specifically in charge of the control over access to the system (both internally and remotely) as well as with the development of corporate security policies and procedures. With a dedicated security staff of six, information system security has improved dramatically over the past and is likely to continue. AMS security procedures have matured and become an integrated part of AMS's culture. In 2001, Information Security has developed a formal vulnerability assessment strategy to review technical infrastructure and identify risk points. Recommendations are then provided to the appropriate technical teams.

AMS has procedures in place for data Access control for its AS400s, LAN, Internet/Intranet and dial up privileges. AMS performs system security monitoring on the AS/400s, remote access servers and LAN on a daily, weekly and monthly basis. Access violations from multiple failed login attempts, users with excessive authority, and system settings are monitored.

DISASTER RECOVERY PLAN

UWLIC has put together a Business Continuity Infrastructure. The purpose of the Business Continuity Plan is to facilitate an orderly resumption of business functions in a timely manner. Each Recovery Team has similar recovery activities assigned. The Business Continuity decision-making process and method of recovery involve several teams, tasks, and individuals. The Executive Senior Management Team ("ESMT") consists of Executive Board Members. This team is responsible for declaring a disaster. Another team is the Executive Management Team ("EMT"), which consists of Senior Level Management who has an overall responsibility for the recovery of UWLIC's business and services to other companies. As needed during the emergency, these individuals will participate in the Command Centers established for the recovery efforts and in FEMO, (the company's Emergency Management Organization). The company-wide organization was formed to provide both a formal integrated response process for management and onsite coverage/support in emergency situations. The Emergency Management Response Team ("EMRT") reports directly to the Command Center and has the responsibility to oversee the recovery and restoration process being executed by the Recovery Support Teams.

Each department has put together detailed instructions concerning the responsibilities of each member. The first chapter has a complete listing of all employee telephone numbers

at work as well as home. There is a chapter on Resumption/Recovery providing guidelines of who to call and all the procedures needed to keep initial emergency response orderly. There is detailed information on Salvage and Supplies, Offsite locations, details for setting up the hot site, procedures to resume business, and then each department has specific information in their binders providing specific information on setting up their area to resume business as before the emergency disaster took place. Provider networks would be contacted via an established calling list in the Network Management team's plans. Customers will be notified via the web and AMS' telephone message. Upon declaration, calls are routed to the work area recovery facility in Illinois and answered with a standard message until staff arrives and business resumes.

AMS has contracted a Hot Spot through Comdisco. This is a complete scaled down version of AMS' critical infrastructure to include: hardware and connectivity. AMS' software is stored off site with their vendor ARMS. With hardware and software protected, AMS does possess a complete disaster recovery solution.

Backup systems reside primarily in New Jersey. The Work Area Recovery is in Illinois, which includes desktops and a complete PBX (telephone system including desktops and telephones). Connectivity exists between sites via Comdisco's extensive Network Backbone.

Tests are conducted at the hot sites. AMS disaster recovery strategy includes two hot site tests a year. AMS conducted its first test to include HP, Sun, NT, Desktop, Phones, and Network connectivity between two Comdisco locations on August 10-11, 2001.

QUALITY MANAGEMENT AND IMPROVEMENT PROGRAM

Utilization Reviews are performed by Accountable Health Plans of America, ("AHPA"), which is a 100 % indirect subsidiary of American Medical Security Group, Inc. Thus, AHPA is an affiliate of AMS, the third party administrator, and UWLIC, the insurer. The AMS Appeals and Grievances Department tracks appeals and grievances done by AHPA for reporting purposes. Monitoring for compliance of Utilization Review is achieved via the Utilization Management audit process conducted by the Managed Care Department of AMS.

The Medical Management Audit Program ("Program") provides a plan to systematically monitor Utilization Management, Credentialing and Quality Improvement Programs at AHPA, contracted leased networks, future networks and as directed by corporate management. Evaluations of leased networks and AHPA are conducted based on a schedule determined at the beginning of each calendar year and revised as necessary. Assessment of future networks and company directed reviews are provided as indicated.

The Program is reviewed annually through the Quality Improvement Committee. This allows an opportunity to determine the Program's effectiveness and improve areas as appropriate.

AMS delegates utilization review including prospective, concurrent and retrospective review, case management, chiropractic services, credentialing and quality improvement functions to its affiliate company AHPA, and specific contracted provider networks. AMS maintains responsibility for ensuring that the functions are being performed according to American Accreditation Healthcare Commission/URAC (Utilization management, case management, & network) standards, Case Management Society of America (“CMSA”) standards, internally accepted standards, and state and federal regulations. Monitoring of delegated entities is performed by the Medical Management Clinicians.

The objectives of the Program are: 1) to assess effectiveness and efficiency of utilization management, credentialing and quality programs, 2) to ensure compliance with legislation, American Accreditation Healthcare Commission/URAC standards, and internally accepted standards and 3) to provide essential findings to company management and others as appropriate.

Desktop audit reviews are the method utilized for first time and ongoing oversight evaluation. After the initial review is completed, the programs are monitored on an ongoing basis.

Utilization Management Review

Delegated Utilization Management (“UM”) activities consist of: prospective review/pre-certification, concurrent review, retrospective review, case management, discharge planning, assessment of member satisfaction and complaint reporting and tracking.

UM activities are delegated preferably only to those organizations that meet URAC and AMS standards.

Areas of review (Initial Review & Ongoing Oversight):

1. Utilization Management
2. Utilization Management Case Review
3. Case Management Case Review
4. State Specific Regulations
5. Complaints Procedure and Reporting
6. Scoring the Review

Credentialing (Initial Review & Ongoing oversight)

Delegated Credentialing Activities consist of: credentialing of PPO network providers, including physicians and other health care providers, re-credentialing of PPO network providers, including physicians and other health care providers and assessment of provider satisfaction surveys.

Credentialing activities are delegated preferably only to those organizations that meet URAC, National Network, and AMS standards.

- Credentialing Documents are received from the entity under review. Information is reviewed using URAC based credentialing audit tool.
- Credentialing Provider File Review consists of a review of randomly pre-selected provider files.
- Contract Review of the network entities with which AMS PPO Contracts to assess the network's compliance to contract specific requirements.
- The exam team reviews compliance to state specific regulations.

The documents reviewed during the initial screening process will be assessed and a determination made as to whether the entity is:

- Compliant with AMS expectations and URAC standards (Audit score of 90% or greater); or
- Compliant with a need for corrective action plan(s) (Audit score of 80 to 90%); or
- Not acceptable with AMS expectations and URAC standards, a recommendation will be made to not contract with the entity. (Audit score of less than 80%)

Quality Management (Initial Review & Ongoing Oversight)

Delegated Quality Management activities consist of: quality improvement activities as described in the Quality Improvement Program, assessment of member satisfaction surveys, assessment of provider satisfaction surveys and complaint reporting and tracking.

Quality Improvement activities are delegated preferably only to those organizations that meet URAC and AMS standards.

The areas under review are: quality improvement, contract review, state specific regulations, complaints procedures and reporting. The results are scored and reported to management.

AGENT LICENSING

KID requested a list of all UWLIC appointed agents/agencies during the exam period. This list was compared with the Agents And Brokers database at KID. Out of 2,134 agents listed by KID for the years 1999, 2000 and six months in 2001 (Jan. 1 – June 30), 690 agents were not found on the UWLIC list.

A sample of 52 agents was selected from this database to compare to the KID list. There were three violations. One agent and two agencies were not appointed by UWLIC resulting in an accuracy rate of 94.2%.

One agent is found on the company list of appointed agents provided to the examiner but was not found on the KID's agent database. Also, one agency on the company list of appointed agents was not found on the KID's agent list.

Another agency is shown as appointed by the company, but the documentation shown for a Kansas license and an appointment form is for two other branches of that agency. The company has stated that it considers all branches as one entity and has submitted an appointment for one branch and a copy of a Kansas Certificate of License for another branch. However, Kansas Statute 40-240 (b) requires every branch office be appointed as a separate entity. These agencies and agents must be licensed by the Kansas Insurance Department. The company needs to revise its appointment procedure to comply with Kansas statutes.

Recommendation – Agent Licensing:

1. All agents/brokers or agencies must have a company appointment per K.S.A. 40-241i.
2. If appointing an agency with multiple location branch offices, each branch must be appointed as a separate entity and such agencies and agents must be licensed by the Kansas Insurance Department. KSA 40-240 (b).

ADVERTISING

Internet Advertising

Two websites were searched: www.amschoices.com and www.simplyhealth.com. Additionally, several possible domain names were searched but none led to either of these two sites or to any other sites related to AMS, UWLIC or health insurance.

There were no violations of Kansas law, misrepresentations, use of ambiguous or vague language nor were there improper uses of scare tactics, fear or statistics. Proper disclaimers, legal provisions, and privacy policies were visible and could be read from the computer screen by clicking on their titles.

Product descriptions are general in nature and do not list benefits, deductibles or co-payments, individually or specifically. The AMS Privacy Guide is available for online reading. There were no violations.

Print Advertising

The examiner reviewed all booklets sent to policyholders. Generally, the plan provisions listed in booklets appeared to specify internal daily limits, co-pays, deductibles, benefits and in-and out-of-network charges. Graphics were used sparingly and were appropriate. Waiting and elimination periods appear to be listed appropriately in booklets and on inserts. There were no violations.

PPO AND PROVIDER AGREEMENTS

AMS has contracts with preferred provider organizations that have agreements with Hospitals, Ancillary Providers, Physicians, and Specialist Physicians. All the agreements provide definitions of terms used in the agreements with the Hospitals, Ancillary Providers, Physicians, and Specialist Physicians and policies covering AMS groups and individuals. Obligations and agreements, Utilization Review and Quality Assessment, credentialing, term and termination, and mutual obligations are included in the agreements. The Compensation and Arbitration process is also discussed in the Agreements.

UNDERWRITING

UWLIC offers its customers a variety of choices with a variety of deductibles and co-pays through its GroupMedChoice product program for small and large groups and MedOneChoice for individuals and families.

UWLIC also offers AffordableOne and AffordableGroup to individuals and groups. These products are intended to give alternatives to the “benefit-rich “ coverage by offering a choice of higher deductibles and coinsurance amounts with corresponding reduction in premium. Other optional coverages offered under its group program are -

- GroupDentalChoice
- Term Life and AD&D Insurance
- Short-term (Weekly Income)
- Disability Insurance

Small Group

A sample of 50 groups was selected from the in-force business for the year 2001 and reviewed for maternity coverage, policy forms, certificates and number enrolled in the group. All 50 were small groups with enrollment between 2-50 employees. Seventeen groups covered pregnancies the same as any other disease and thirty-three groups covered pregnancies for complications only.

K. S. A. 40-2209 (f)(1) requires a group to consist of at least two employees of an employer. The examiner reviewed the procedure to monitor a group to ensure at least two employees were covered in order to maintain group status. Administration receives group payments and when the list of covered employees falls below 2, they notify Underwriting. Underwriting then calls the group contact person to determine the status of the company and explain alternatives.

The examiner reviewed four group histories and read the underwriter’s journal notes to determine that all groups were terminated immediately after falling below two covered employees.

Rating

To verify the rates in UWLIC's system with the numbers filed with KID, the Company was given several samples for the exam team to rate.

For individual rates, a sample from each of the exam years was taken. No exceptions were noted.

For small group, 5 examples were provided for 1998, 4 for 1999 and 2 for 2000. One exception was noted for 1999.

The only rate tables filed with KID for Small Employer group to be effective on 12/1/99 had a base premium for coverage with maternity benefits. The example calculated by the company did not include maternity benefits and was different than the premium calculated using the filed rates.

Company brochures, BR366-13-1-00 2/00, 9/00 & 11/00, indicate that coverage for normal pregnancy is an optional coverage for groups 2-14. It was the company's intent to offer a plan with maternity coverage and one with no coverage for normal pregnancy. The company failed to file rates for the plan without coverage for normal pregnancy. This is in violation of KSA 40-2215. - Forms and premium rates, filing, regulation, violations, penalties:

(b) No group or blanket policy or certificate of accident and sickness insurance providing hospital, medical or surgical expense benefits shall be issued or delivered to any person in this state, nor shall any application, rider or endorsement be used in connection therewith, until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto has been filed with the commissioner of insurance.

Recommendation Rating:

1. UWLIC should make sure that the rate package submitted to KID for approval is complete and that they use only those rates approved by the Department. KSA 40-2215.

1999 Refund Payment

UWLIC came to an agreement with KID regarding a rate filing discrepancy that occurred between January 1, 1997 and December 31, 1998. As a matter of compromise, UWLIC agreed to refund \$280,881.40 in premiums and interest to 1,163 Kansas consumers.

A review of 50 refund checks verified that the proper premiums and interest were returned to Kansas consumers. Forty-eight checks were cashed within 45 days, one within four months and one within six months.

Forms

The audit team reviewed all forms and policies filed with KID during the exam period. These documents were compared with the Department records to verify that they had been submitted to and approved by KID. The company was 100% in compliance.

The examiner reviewed a sample of 50 items on the UWLIC system to verify that KID did approve the forms displayed on the electronic file. While the actual form number was on the list of KID's approved forms, the displayed field did not show the edition date. Therefore the examiner could not tell what edition of a form was actually issued for that policy/certificate.

An example of this problem - form "RD-0443-00-1 IV 2/99" was the current form and edition date on record with the Department at the time of the exam. UWLIC's system only displayed RD-0443-00-1.

UWLIC indicated that this problem was a limitation in the display capability of its system. In the next round of enhancements for its computer system, this limitation will be addressed.

Recommendation Forms:

1: UWLIC should move forward as soon as possibly to correct the display problem with its system so the correct edition date is displayed on its database to avoid the possibility of someone misreading a form/rider and providing incorrect information to a customer. KSA 40-2215.

CLAIMS PROCESSING

The claims processing of UWLIC was examined for efficiency of handling, accuracy of payment, adherence to Kansas statutes and regulations, and compliance with contract provisions.

The review consisted of Kansas claims selected by random sampling using the ACL software from the computer claims lists furnished by the company for claims from January 1, 1998 to June 30, 2001. A claim is taken to be a request for payment under an insurance contract which may or may not be payable.

In reviewing claim processing, the claims were examined for claim underpayment, overpayment, incorrect denial, and paid claim when should have been denied.

The purpose was to see that regulation 40-1-34, Unfair Claims Settlement Practices, and other laws on claim handling practices were adhered to. The tests included:

- File and Record Documentation, Sec. 4:
- Misrepresentation of Policy Provisions, Sec. 5 a
- Failure to Acknowledge to Pertinent communication, Sec. 6

- Standards for Prompt Investigation of Claims, Sec. 7
- Standards for Prompt, Fair and Equitable Settlements Applicable to all Insurers, Sec. 8a&c

ER Paid Claims

The exam team reviewed ER claims to see if the company was applying the “prudent lay person” rule regarding how an ER claim was covered. The exam team reviewed 200 ER paid claims for 1998-2001 and the company was 100% in compliance.

ER Denied Claims

The exam team reviewed 100 ER denied claims for the years 1998, 1999 and 2001. The company was 100% in compliance for each year.

Paid Claims

The exam team reviewed 266 paid claims for 1998, 1999 and 2001. The company was 100% in compliance in 1998 and 1999. Out of 100 claims in 2001, one claim in 2001 failed Section 7 and the company was 99% in compliance.

Mental Health Claims

K. S. A.40-2, 105 requires companies to pay mental health claims at 100% of the first \$100, 80% of the next \$100 and 50% of the next \$1,640. The UWLIC computer system cannot process a three-tier claim but this statute requires three calculations. The company decided to pay the first \$200 at 100% and the next \$1,640 at 50% in order to comply with the Kansas requirements. All Kansas mental health claims are paid within these two tiers and provide a benefit in excess of Kansas statutes.

A review of five of the thirty-three mental health claims paid in 1999 revealed that all were paid at 100% for the first \$200. The exam team reviewed 50 paid claims per year for 1998-2001 and found the company 100% in compliance for all four years.

The exam team reviewed 25 claims for the year 2000. One claim failed Section 8 (a) and the company was 96% in compliance for 2000. During the review of the 2000 Mental Health Denied Claims, an error was found and the company agreed that payment should have been allowed. The company undertook a review of this claim and mailed a check to the claimant for the amount of the claim and interest. The company corrected one additional denial error in the same year for that same claimant.

Benefit Schedule

The exam team reviewed the sample claims and compared the payment to the benefit schedule that was part of the contract. This was to ensure that the schedule of benefits paid was the same as indicated in the member’s certificate. The exam

team compared the hard copy of what was provided to the member versus what was on the claim system for that group number and used to adjudicate the claim.

The company was 100 % compliant with this test.

COMPLAINT AND GRIEVANCE POLICY

The company appeals procedures cover non-utilization appeals, utilization review appeals, expedited appeals and independent external reviews. Reviews are divided into two levels, retrospective and utilization review.

Response letters notifying complainants of appeal decisions are sent within 30 days unless an additional 30 days were requested due to delay of obtaining necessary records. This timeline exceeds the requirement of Kansas law to send the notification “when practical, but no later than 30 days” after receiving all necessary documentation.

All timelines contained in the Appeal Procedures meet or exceed the timelines as required by Kansas laws. Additionally, a detailed explanation of the process, notifications, deadlines and further remedies is provided.

Accountable Health Plans of America (AHPA), which is an affiliate of the Company and AMS, performs reviews of utilization review appeals.

COOPERATION

I would like to acknowledge the cooperation and courtesy extended to the examination team by the Compliance Department and the other employees of UWLIC.

The following examiners of the Office of the Commissioner of Insurance in the State of Kansas participated in the review:

Market Conduct Division

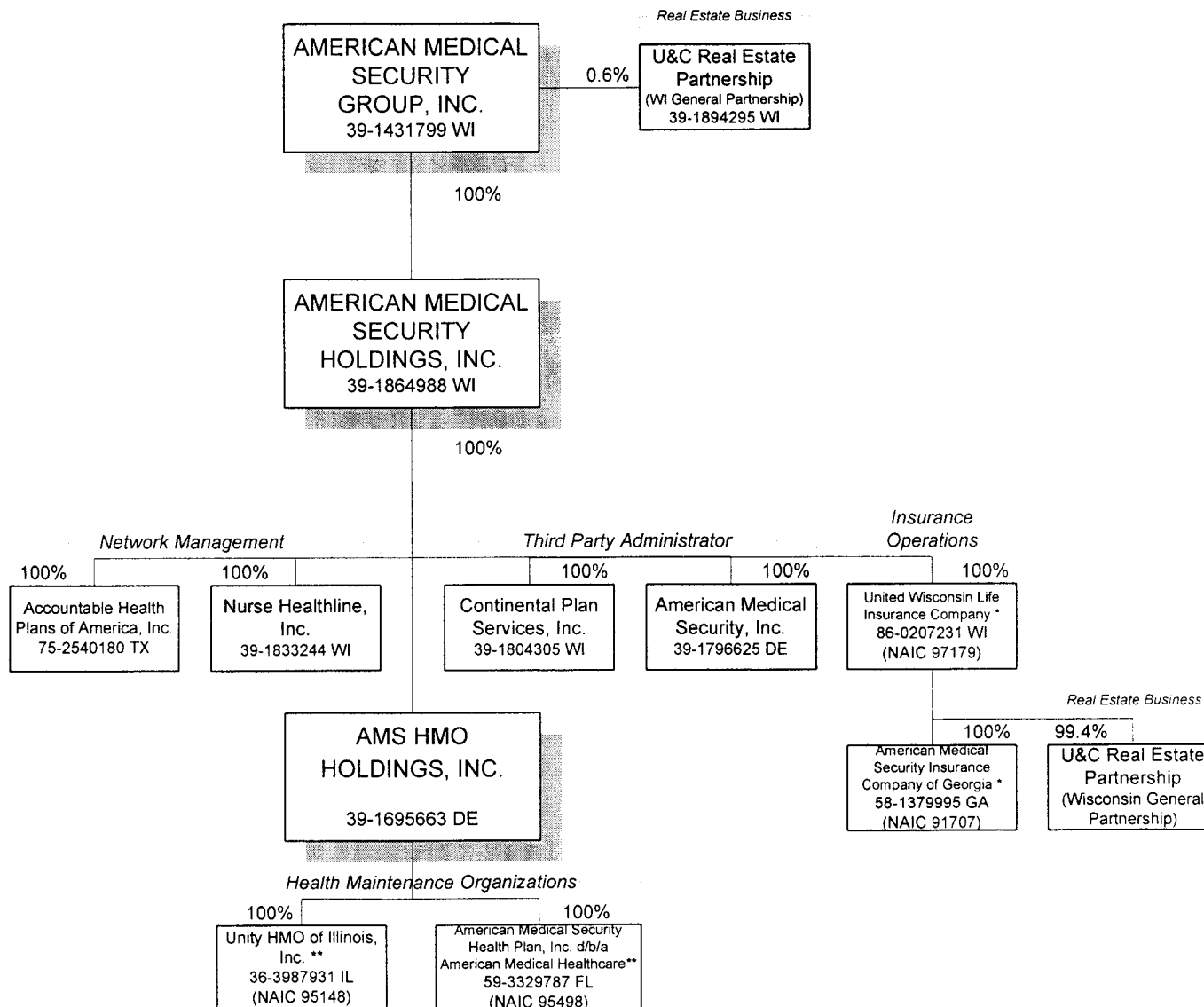
Lyle Behrens
Supervisor

Mary Lou Maritt
Market Conduct Examiner

Rodney Beetch
Examiner-In-Charge

Respectfully submitted,

Lyle Behrens, CPCU, CIE, ARM



* Insurance Company
 ** Health Maintenance Organization

6. Pan-American Life Insurance Company, New Orleans, Louisiana
 Business covered: PALIC large group risk and self-funded health and ancillary insurance products
 Affiliate/Non-Affiliate: Non-Affiliate
 Type: Quota share/ Assumptive
 Rate: 100% of premium
 Effective date: July 1, 1998
 Termination date: None. The policies covered were then retroceded back to Panam 7/1/1998
 Refunding: No
7. American Medical Security Health Plan, Inc., Orlanda, Florida
 Business covered: PHO losses and liabilities arising from or on account of any medical claims or services for which a PHO is or was responsible but have not been paid and covered by contract and monthly payment of capitation
 Affiliate/Non-Affiliate: Affiliate
 Type: Coinsurance/Group
 Rate: 0.25% of average monthly reserve credit
 Effective date: December 31, 1997
 Termination date:
 Refunding: No
8. Continental Assurance Company, Chicago, Illinois
 Business covered: Certain group health and ancillary insurance in various states
 Affiliate/Non-Affiliate: Non-Affiliate
 Type: 100% quota share
 Rate: 100% of premium
 Effective Date: January 1, 1999
 Termination Date:
 Refunding: No
9. Continental Assurance Company, Chicago, Illinois
 Business covered: Certain group health and ancillary insurance in various states
 Affiliate/Non-Affiliate: Non-Affiliate
 Type: For non-licensed or non-approved states, 100% quota share
 For approved states, transition from coinsurance to assumptive
 Rate: 100% of premium
 Effective Date: February 1, 1999
 Termination Date:
 Refunding: No

**UNITED WISCONSIN LIFE INSURANCE COMPANY
ASSUMED REINSURANCE SUMMARY
2000**

1. American Medical Security Insurance of Georgia, Atlanta Georgia
Business covered: PALIC Florida 1-2 employees individual and small group health and ancillary insurance products
Affiliate/Non-Affiliate: Affiliate
Type: Coinsurance/Group
Rate: 80% of premium
Effective date: October 1, 1997
Termination date: March 31, 1998
Refunding: No

2. Pan-American Life Insurance Company, New Orleans, Louisiana
Business covered: PALIC Florida >3 employees individual and small group health and ancillary insurance products
Affiliate/Non-Affiliate: Non-Affiliate
Type: Assumptive
Rate: 100% of premium
Effective date: October 1, 1997
Termination date:
Refunding: No

3. Pan-American Life Insurance Company, New Orleans, Louisiana
Business covered: PALIC non-Florida licensed state individual and small group health and ancillary insurance products
Affiliate/Non-Affiliate: Non-Affiliate
Type: Coinsurance/Group
Rate: 100% of premium
Effective date: October 1, 1997
Termination date:
Refunding: No

4. United Wisconsin Insurance Company, Milwaukee, Wisconsin
Business covered: Minnesota accident and health policies
Affiliate/Non-Affiliate: Affiliate
Type: 100% quota share/Group
Rate: 100% of premium
Effective date: January 1, 1996, amended September 1, 1998
Termination date:
Refunding: No

5. Healthlink HMO, Inc., St. Louis, Missouri
Business covered: Health plan covered under Exhibit A
Affiliate/Non-Affiliate: Non-Affiliate
Type: Coinsurance/Group
Rate: 100% of written premium
Effective date: October 1, 1994
Termination date:
Refunding: No

renewed prior to January 1, 1999, but only until the next renewal date on or after January 1, 1999

Affiliate/Non-Affiliate: Non-Affiliate
Type: Group- retrocession
Rate: 82% of of the premium earned less any premium attributable to life, AD&D and STD and any retrospective premium amounts payable by the policyholder
Effective date: January 1, 1999
Termination date: individual group renewal dates on or after January 1, 1999
Refunding: No

16. NGL American Life Insurance Company, Madison, Wisconsin

Business covered: Certain individual whole and term life policies marketed by Meridian and UHLIC
Affiliate/Non-Affiliate: Non-Affiliate
Type: Assumptive for approved states, Coinsurance for non-approved states
Rate: Premium equal to the statutory insurance liabilities and adjusted for adding any premiums, adding any reinsured claims and subtracting any benefit payments made after the effective date and up to the administrative effective date
Effective date: July 1, 1999, for administrative purposes November 1, 1999
Termination date:
Refunding: No

17. Wisconsin Vision Service Plan, Rancho Cordova, California

Business covered: Certain riders covering policies, contracts and certificate and other obligations of insurance of vision care benefits
Affiliate/Non-Affiliate: Non-Affiliate
Type: 100% quota share except in any state where percentage is less than 100% as reflected in an addendum
Rate: .80 per employee per month for coverage under Exhibit A of Schedule I.B., 10.37 per employee per month for coverage under Exhibit B of Schedule I.B.
Effective Date: June 1, 1999
Termination Date:
Refunding: No

18. Continental Assurance Company, Chicago, IL

Business covered: POS eligible hospital services whereby the insured has selected ProHealth, LLC as primary care provide
Affiliate/Non-Affiliate: Non-Affiliate
Type: Coinsurance rate after deductible dependent on procedure
Deductible: \$50,000 per insured per agreement year
Rate: \$2.05 per insured per month
Effective date: January 1, 2000
Termination date:
Refunding: No

Termination date: individual group renewal dates on or after September 1, 1998
Refunding: No

10. United Wisconsin Insurance Company, Milwaukee, Wisconsin

Business covered: Individual medical policies for IA, IL, IN, MI, MN and NC
Affiliate/Non-Affiliate: Affiliate
Type: Assumptive - 100% quota share
Rate: 100% of premium received
Effective date: January 1, 1998
Termination date:
Refunding: No

11. United Wisconsin Insurance Company, Milwaukee, Wisconsin

Business covered: Dentacare Choice, Dentacare out-of-care and Dentacare POS
Affiliate/Non-Affiliate: Non-Affiliate
Type: Assumptive - 100% quota share
Rate: 100% of premium received
Effective date: January 1, 1998
Termination date:
Refunding: No

12. United Wisconsin Insurance Company, Milwaukee, Wisconsin

Business covered: Compicare out-of-area indemnity
Kenosha Health Care Plan Traditional health insurance
Affiliate/Non-Affiliate: Affiliate
Type: Assumptive - 100% quota share
Rate: 100% of premium received
Effective date: January 1, 1998
Termination date:
Refunding: No

13. United Wisconsin Insurance Company, Milwaukee, Wisconsin

Business covered: CNR Health administered policies
for mental and behavioral health
Affiliate/Non-Affiliate: Affiliate
Type: 100% quota share
Rate: 100% of earned premium
Effective date: January 1, 1998
Termination date:
Refunding: No

14. United Heartland Life Insurance Company, Milwaukee, Wisconsin

Business covered: Certain whole and term life policies marketed by Meridian
Affiliate/Non-Affiliate: Non-Affiliate
Type: 100% quota share
Rate: 100% of earned premium
Effective date: January 1, 1998
Termination date:
Refunding: No

15. Continental Assurance Company, Chicago, Illinois

Business covered: Policies covered under the Assumption Reinsurance Contract effective
February 1, 1999 and Quota Share Reinsurance Contract effective
January 1, 1999, the inception or most renewal which occurred or

5. United Wisconsin Insurance Company, Milwaukee, Wisconsin
 - Business covered: Indemnity dental coverage policies issued by Heartland Dental Plan, Inc.
 - Affiliate/Non-Affiliate: Affiliate
 - Type: 100% quota share
 - Rate: 100% of net premium
 - Effective date: January 1, 1998
 - Termination date:
 - Refunding: No

6. Reliastar Life Insurance Company, Minneapolis, Minnesota
 - Business covered: Ordinary Life
Group Life and AD&D
 - Affiliate/Non-Affiliate: Affiliate
 - Type: Coinsurance/100% Quota Share/Group
 - Deductible: \$100,000 and three or more lives
 - Rate: \$6,000 minimum premium
\$1.90 per mean million of net retained insurance annual rate (mean equals average of beginning and end of year inforce)
 - Effective date: January 1, 1998
 - Termination date:
 - Refunding: No

7. Lincoln National Health & Casualty Insurance Company, Fort Wayne, Indiana
 - Business covered: POS eligible hospital services whereby the insured has selected ProHealth, LLC as primary care provide
 - Affiliate/Non-Affiliate: Non-Affiliate
 - Type: Coinsurance rate after deductible dependent on procedure
 - Deductible: \$50,000 per insured per agreement year
 - Rate: \$1.71 per insured per month
 - Effective date: February 1, 1998
 - Termination date: December 31, 1999
 - Refunding: No

8. United Wisconsin Insurance Company, Milwaukee, Wisconsin
 - Business covered: Indemnity dental coverage policies (Dentacare) issued by Compcare Health Services Insurance Corporation
 - Affiliate/Non-Affiliate: Affiliate
 - Type: 100% quota share/Group
 - Rate: 100% of premium
 - Effective date: January 1, 1994
 - Termination date:
 - Refunding: No

9. Pan-American Life Insurance Company, New Orleans, Louisiana
 - Business covered: Policies covered under the Assumption Reinsurance Contract effective July 1, 1998
 - Affiliate/Non-Affiliate: Non-Affiliate
 - Type: 100% quota share/Group- retrocession
 - Rate: 100% of gross premium under Assumption Reinsurance Contract
 - Effective date: July 1, 1998

**UNITED WISCONSIN LIFE INSURANCE COMPANY
CEDED REINSURANCE SUMMARY
2000**

1. Continental Assurance Company, Chicago, Illinois

Business covered: Group or Individual Comprehensive Medical
Affiliate/Non-Affiliate: Non-Affiliate
Type: Stop Loss/Group, 100% after deductible is met
Deductible: \$500,000 incurred during 12 month period & paid in 24 months, up to lesser of policy maximum or \$2,000,000 lifetime
Rate: .43 per covered individual per month
Effective date: July 1, 1997
Termination date:
Refunding: Yes, amounts remaining in the contingent reserve fund after agreement year is closed

2. Continental Assurance Company, Chicago, Illinois

Business covered: Group Life and Accidental Death & Dismemberment and conversion group policies
Affiliate/Non-Affiliate: Non-Affiliate
Type: Stop Loss/Group and Faculative, 100% after deductible is met
Deductible: \$50,000 up to \$1,000,000
Rate: Group life -.23 per \$1,000 covered
Group AD&D -.035 per \$1,000 covered (as of 1/1/99)
Effective date: July 1, 1997, amended January 1, 1999
Termination date:
Refunding: Yes, after January 1, 1999 – group life only

3. United Wisconsin Insurance Company, Milwaukee, Wisconsin

Business covered: Family Security Premium Reimbursement Group Policies
Dental Benefit Group Policies
Disability Income Supplement Policy
Affiliate/Non-Affiliate: Affiliate
Type: Assumption reinsurance/100% quota share/Group
Rate: 100% of premium
Effective date: January 1, 1997
Termination date:
Refunding: No

4. United Heartland Life Insurance Company, Milwaukee, Wisconsin

Business covered: Group Life Insurance Policies
Group Accident Insurance Policies
Whole Life Policies
Above marketed by UWG
Affiliate/Non-Affiliate: Affiliate
Type: 100% quota share/Group
Rate: 100% of net premium
Effective date: January 1, 1997, amended September 1, 1998
Termination date:
Refunding: No