

EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of Trustmark Life Insurance Company (TLIC) and Trustmark Insurance Company (TIC). The period of examination was January 1, 2007 through June 30, 2009.

The number of complaints received at KID for these two companies combined was 20 in 2007, 12 in 2008, and 20 during the first half of 2009. Because of these complaints, KID undertook this targeted market conduct exam. The complaints filed with KID were primarily claims related. In discussions with the Company about the significant increase in their complaint ratio, they felt it was centered in a book of business that was administered by a third party administrator (TPA), Harrington Health (HH). The company had been working with this TPA to resolve the problems that contributed to this issue. Both the Company and the TPA indicated that they had made significant strides in 2009 to correct what they felt was the problem.

As part of the testing process, the exam team divided the HH claim review into separate samples of claims processed in last the half of 2008 and the first six months of 2009. This was done to determine if there was in fact an improvement in the timeliness of the claim handling by HH for 2009. Overall the 2008 HH claims sampled averaged a 12.3% error rate, while the 2009 HH claims sampled averaged a 6.3% error rate. This shows an overall improvement; however, some 2009 claims standards still exceeded the 7% error tolerance level recommended in the NAIC Market Regulation Handbook (MRH). All other claims sampled (other than HH administered claims) averaged only a 2.3% error rate. Further detail on the individual errors can be found in the exam report.

Summary of errors that failed Standards within the Market Regulation Handbook:

Grievances & Appeals

Failure to conduct first-level appeals properly – 53 total appeals in violation (55% error rate)

- not acknowledging within 10 days per K.A.R. 40-1-34, 6 - 45 appeals
- not handling within 30 days per K.S.A. 40-2442(a) – 44 appeals
- giving incorrect information regarding appeal rights – 2 appeals
- not making decision within 15 days of receiving additional information – 1

appeal

Failure to conduct second-level appeals properly – 13 total appeals in violation (87% error rate)

- not acknowledging within 10 days per K.A.R. 40-1-34, 6 - 13 appeals
 - not paying interest on claims that took over 30 days per K.S.A. 40-2442 (a)&(b) – 4 appeals
 - not maintaining adequate claim file documentation per K.A.R. 40-1-34, 4 – 1
- appeal
- not notifying of rights to external review per K.A.R. 40-4-42a – 6 appeals
- Failure to notify insureds of right to waive second level review per K.S.A. 40-22a09a(a)

Claims

Failure to contact claimant timely per K.A.R. 40-1-34, 6(a) - 112 claims (25% error rate)

Failure to resolve claims in timely manner per K.S.A. 2442 (a)(b) – 40 claims (16% error rate)

Failure to handle claims properly – 34 claims (17% error rate)

- not paying interest as required by K.S.A. 40-2442 (b)(d)(2) – 33 claims

- not paying correct benefit amount, K.A.R. 40-1-34, 5(a) – 1 claim

LIST OF RECOMMENDATIONS

Complaint, Grievance and Appeals Recommendations

1. The Company needs to review their complaint handling process to insure that complaints from KID are handled within 15 working days of receipt of the complaint. Per K.A.R. 40-1-34, 6(b).

2. The Company needs to review their appeal process to insure that all Level 1 and Level 2 appeal timelines are met. This would include acknowledging the appeal within 10 working days and responding with a decision to the appeal within the timelines spelled out in their procedures and the Kansas statute. Per K.S.A. 40-2442 and K.A.R. 40-1-34, 6(a).

3. The Company needs to follow up with HH to insure that they are meeting all Level 1 and Level 2 timelines. This would include acknowledging the appeal within 10 working days and responding with a decision to the appeal within the timelines spelled out in their procedures and Kansas statute. Within 30 days the Company should provide documentation that HH's complaint and appeal process is conforming to KID insurance code. Per K.S.A. 40-2442 and K.A.R. 40-1-34, 6(c).

4. The Company needs to follow up with HH on all Level 1 and Level 2 appeals where it takes longer than 30 days to reprocess the claim to ensure interest is being paid appropriately. Within 30 days the Company should provide documentation that HH's complaint and appeal process is conforming to Kansas insurance code. Per K.S.A. 40-2442 (a)(b).

5. The Company needs to follow up with HH to ensure insureds are notified of their right to waive the second level review. Per K.S.A. 40-22a09a(b)

6. The Company needs to follow up with HH on all Level 2 appeals that when a denial is upheld the insured is advised of their right to an external review. Within 30 days the Company should provide documentation that HH's complaint and appeal process is conforming to Kansas insurance code. Per K.A.R. 40-4-42a.

7. The Company needs to follow up with HH on their complaint, Level 1 Appeal and Level 2 Appeal logs to insure that the TPA is accurately coding and documenting

complaints and appeals. Within 30 days the company should provide documentation that HH is monitoring and accurately coding their complaint and appeal logs. Per K.S.A. 40-2404 (10) and K.S.A. 40-2405.

Claims Handling Recommendations

1. Both the Company and HH need to review their procedures to insure there is a confirmation letter sent to the insured within 10 working days of receipt of a claim per K.A.R. 40-1-34, 6(a). Within 30 days the company should provide documentation that the Company and HH are sending out acknowledgement letters within 10 days of receipt of a claim.
2. The Company and HH met with KID after the time period of the exam to restate their commitment and plan to monitor HH's improvement in their claim processing. Within 30 days the Company needs to provide KID with a year end 2009 report of their monitoring process to substantiate that HH is now adjudicating claims within 30 days. Per K.S.A. 40-2442.
3. Within 30 days the Company needs to provide KID with a report showing the status of HH going back and paying interest on the claims in 2007, 2008 and 2009 that took over 30 days to pay and interest was not included in the settlement payment. Per K.S.A. 40-2442 (b)(d)(2).
4. Within 30 days the Company needs to provide KID with some documentation that HH has in place a process to pay interest on future claims that take over 30 days to pay. Per K.S.A. 40-2442 (b)(d)(2).