

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Companion Life Insurance Company

NAIC # 77828

Examination Authority #77828-16-906

7909 Parklane Road, Suite 200
Columbia, SC 29223

As of

January 31, 2016

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of January 31, 2016 on

Companion Life Insurance Company

is a true and correct copy of the document filed with this Department.

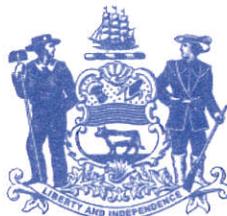
Attest By:



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



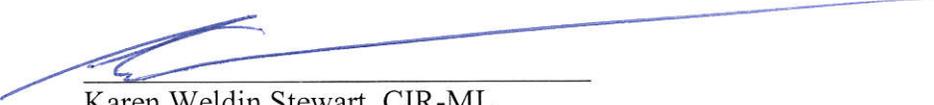
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Companion Life Insurance Company
AS OF
January 31, 2016

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 92738-15-750 and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

Companion Life Insurance Company

The examination was performed as of January 31, 2016. Companion Life Insurance Company (“CLife”) was incorporated on June 2, 1970, as a South Carolina corporation and a South Carolina domestic insurer, and is currently licensed in forty-six (46) states and the District of Columbia with NAIC Company Code 77828. The examination consisted of an off-site phase and was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI", or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Companion Life Insurance Company (“CLife”) was incorporated on June 2, 1970, as a South Carolina corporation and a South Carolina domestic insurer, and is currently licensed in forty-six (46) states and the District of Columbia with NAIC Company Code 77828. The Company’s main administrative offices are located in Columbia, SC.

This examination focused on the Company’s health insurance business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, and Underwriting and Rating. The examination was focused on health insurance products designed to supplement coverage that meets the Minimum Essential Benefits required by the federal Affordable Care Act (ACA). The supplemental coverages do not meet the requirements for qualified coverage under ACA and include offerings such as short-term medical (interim health insurance), specified disease or other limited benefit plans such as accident only coverage.

The following exceptions were noted in the areas of operation reviewed:

2 Exceptions – 18 Del. Admin Code 1406 §7.0.

- *Responsibilities of the insurer*
 - For failure to conduct periodic audits of the operations of two third-party administrators.

1 Exception - 18 Del. C. §2304

- *Unfair methods of competition and unfair or deceptive acts or practices defined.*
 - For providing misleading information through Third Party websites.

4 Exceptions - 18 Del. C. §320.

- *Conduct of examination; access to records; correction.*
 - For failure to provide all the records relating to the subject of the examination in order to facilitate the examination.

135 Exceptions - 18 Del. C. §1715.

- *Appointments.*
 - For failure to file notice of appointment within 15 days from the date the agency contract is executed or the first application is submitted.

127 Exception - 18 Del. C. §2304

- *Unfair methods of competition and unfair or deceptive acts or practices defined.*
 - For failure to provide pertinent facts or insurance policy provisions relating to the plan coverage.

218 Exceptions - 18 Del. C. §2712.

- *Filing, approval of forms.*
 - For failure to provide evidence that the Company's form in use was filed prior to usage.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §318-322 and covered the experience period of January 1, 2014 through January 31, 2016 unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Delaware insurance laws and regulations related to the health insurance market place.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Company.

The Company identified the universe of files for each segment of the review. Based on the universe sizes identified, a random sample of files was selected and reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that are reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation is identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

COMPANY HISTORY

Companion Life Insurance Company (“CLife”) was incorporated on June 2, 1970, as a South Carolina corporation and a South Carolina domestic insurer, and is currently licensed in forty-six (46) states and the District of Columbia with NAIC Company Code 77828. It is 100% owned by Blue Cross and Blue Shield of South Carolina and subject to the South Carolina Insurance Holding Company Regulatory Act. All employees are Blue Cross employees assigned to Companion Life through an allocation agreement between the parties. A life, accident and health insurance carrier, CLife was formed for the purpose of offering nationally two (2) product lines categorized as the core products line and the specialty products line.

The core product line includes employer group insurance products designed to complement an employer’s group health benefit plan issued by other carriers. These core products include both employer group term life insurance and employer group health insurance products. In the marketplace, these coverages are generally referred to as “ancillary plans”.

CLife currently maintains nine (9) regional markets each with directors who are direct employees with the responsibilities of recruiting and contracting with general agents and regional health plans in the designated marketing regions. These general agents and health plans, in turn, make CLife’s core portfolio available to independent producers marketing employer group health insurance in the small and large group market. This successful model has allowed CLife to develop a vast network of general agents, health plans, and independent insurance producers to bring CLife’s core programs to market.

CLife’s specialty products include employer medical excess of loss (stop loss) coverage, group non-coordinated limited benefit health paying fixed indemnity, blanket student medical, short-term medical, association group limited benefit health, employer group critical illness insurance, and group prescription supplemental coverage. CLife no longer underwrites small group health insurance or individual association health benefit plans, and is in a final run-off period for these programs.

Based upon 2014 year-end data, on a net premium basis, total group health insurance constitutes approximately 95% of CLife’s business, and 90% on a gross premium basis.

CLife’s core products include employer group term life insurance, employer group short-term disability insurance, employer group long term disability insurance, employer group dental insurance, and employer group vision insurance. These coverages require employer contributions and minimum participation levels are enforced. These coverages are also available on a voluntary basis whereby the insured employee contributes the majority, if not all, of the premium through payroll deduction. In this instance, coverage could include the use of a cafeteria plan.

CLife contracts with a network of managing general underwriters to manage its portfolio of stop-loss insurance.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided information documenting its management and operational procedures in areas for which they conduct business for the State of Delaware.

The following company operational procedures and areas were reviewed:

- Certificate of Authority for Delaware
- Company History and Profile
- The Company's Organizational Charts
- The Company's Annual Statement for 2013 and 2014
- Internal Audits Conducted
- Fines, penalties and recommendations from other States
- Third Party Entities under contract to perform services on behalf of the Company
- Any Federal or State government current or pending legal action
- The Company's Compliance Plan
- Board of Director meeting agendas, supplemental materials and minutes for all meeting during the examination period.

The documentation provided was reviewed to ensure compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

2 Exceptions – 18 Del. Admin. Code 1406 §7.0 Responsibilities of the insurer

7.3 In cases where an administrator administers benefits for more than one hundred certificate holders on behalf of an insurer, the insurer shall, at least semiannually, conduct a review of the operations of the administrator. At least one such review shall be an on-site audit of the operations of the administrator.

The Company did not conduct any audits on two Third Party Administrators: Health Insurance Innovations (HII) and PRAM. No audits have been performed since contract inception.

Recommendation: It is recommended that the Company implement procedures to perform periodic audits of the Third Party Administrators as required by 18 Del. Admin. Code 1406 §7.0.

COMPLAINTS AND GRIEVANCE HANDLING

The Company provided a list of all complaints/grievances/appeals filed with the Company during the examination period. The list was to include

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complaints/grievances/appeals received from the Delaware Department of Insurance or other regulatory or complaint oversight agency as well as those made directly to the Company on behalf of Delaware consumers. The Company indicated they did not receive any complaints from Delaware residents during the period (2014-2015). However, it was noted that there was a complaint submitted by the DOI in 2016. The complaint was reviewed for compliance with the Delaware Statutes and Regulations, including, but not limited to, 18 Del. C. §2304 Unfair Methods of Competition. No exceptions were noted.

MARKETING AND SALES

MARKETING MATERIALS

The Company provided a copy of all marketing and sales materials (advertisement and sales tools) distributed or available for distribution during the examination period. The Company provided 41 pieces of marketing materials. The marketing materials and the Company's web sites: <http://www.abpassurecare.com/> and <https://www.hiiquote.com/> were reviewed to ascertain compliance with 18 Del. C. §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

The following exception was noted:

1 Exception - 18 Del. C. §2304. Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(1) Misrepresentations and false advertising of insurance policies. -- No person shall make, issue, circulate or cause to be made, issued or circulated any estimate, circular, statement, sales presentation, omission or comparison which:

a. Misrepresents the benefits, advantages, conditions or terms of any insurance policy;

(2) False information and advertising generally. — No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading.

The following wording, which is found on the website <https://www.hiiquote.com/>, may mislead consumers into thinking that the plan is better than the essential minimum coverage required under the Affordable Care Act, and thus meets and/or exceeds the essential minimum coverage required.

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“Start Your Free Quote An affordable Alternative to Obamacare. Term Health Insurance is an affordable and flexible alternative to Obamacare. Different levels of benefits among plans means you choose the right coverage for you. This flexibility makes Term Health Insurance very affordable, typically half the cost of Obamacare plans. These plans offer access to a broad range of healthcare providers, include dental discounts and customization from 1 month to 11 month plans.”

Recommendation: It is recommended that the Company implement procedures to make sure that the Third Party Administrator websites that reference the Company’s products are not misleading in any way.

POLICY APPLICATIONS

Limited Benefit Applications

The Company provided a list of all applications taken during the experience period, including corresponding schedule of benefit pages, policy form numbers, cancellation/termination notifications where applicable, and all phone call Phone Recordings pertaining thereto. The Company provided a list of 449 Limited Benefit Insurance applications written during the examination period of January 1, 2014 to January 31, 2016. A random sample of 84 application file documents was reviewed. The file documents and telephone call recordings were reviewed for compliance with the Delaware Statutes and Regulations.

The following exceptions were noted:

4 Exceptions - 18 Del. C. §320. Conduct of examination; access to records; correction.

(c) Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination.

The noted files were missing pertinent information: one application, three producer names and one file that was missing both the application and the producer name.

Recommendation: It is recommended that the Company implement procedures to maintain and provide policy records relating to the subject of the examination in order to facilitate the examination as required by 18 Del. C. §320.

43 Exceptions - 18 Del. C. §1715. Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

Eighteen (18) agents or producers were not appointed within 15 days from the date the agency contract was executed or the first insurance application submitted. These eighteen agents sold 43 policies prior to appointment.

Recommendation: It is recommended that the Company ensure that a notice of appointment is filed within 15 days from the date the agency contract is executed or the first insurance application is submitted in compliance with 18 Del. C. §1715.

28 Exceptions 18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. -- No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

a. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

The company's telephone policy application verifier did not clearly advise the applicant that the Limited Benefit plan did not qualify as minimum essential coverage under the Federal Affordable Care Act and that the insured may be subject to a tax penalty, in 8 files. There were no telephone verification recordings in 20 files.

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Recommendation: The Company should implement procedures to require a clear and concise verification disclosure that the limited benefit plan is not considered “Minimum Essential Coverage” under the Affordable Care Act, and that the insured may be subject to a tax penalty. In addition, the Company should ensure telephone verification calls are retained.

84 Exceptions - 18 Del. C. §2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The evidence of form filing with the Department (or SERFF filing) could not be established for the Application/Enrollment form used – Application/Enrollment For Principle Advantage Limited Benefit Health Insurance.

The form used was not the same as the form that was filed. The application/enrollment form in question did not contain a form number and the name the form description was different, although the material contents of the application/enrollment form was the same.

Recommendation 1: It is recommended that the Company implement procedures to ensure that its policy forms in use are filed and/or approved within the jurisdiction and in compliance with 18 Del. C. §2712.

Recommendation 2: It is recommended that the Company implement procedures to include, on the Policies and Certificates, a bold statement to the effect that, “The insurance coverage purchased is not considered ‘Minimum Essential Coverage’ under the Affordable Care Act, and that the insured may be subject to a tax penalty.”

Limited Medical Applications

The Company provided a list of 147 Limited Medical Insurance applications written during the examination period of January 1, 2014 through January 31, 2016. A random sample of 79 application file documents was reviewed. Sample files included applications, corresponding schedule of benefit pages, policy form numbers, cancellation/termination notifications where applicable, and all phone calls pertaining thereto. The file documents and telephone call recordings were reviewed for compliance with the Delaware Statutes and Regulations.

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The following exceptions were noted:

61 Exceptions - 18 Del. C. §1715. Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

Twenty agents or producers were not appointed within 15 days from the date the agency contract was executed or the first insurance application submitted. These twenty agents sold 61 policies prior to appointment.

Recommendation: It is recommended that the Company implement procedures to ensure that a notice of appointment is filed within 15 days from the date the agency contract is executed or the first insurance application is submitted in compliance with 18 Del. C. §1715.

47 Exceptions 18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. -- No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

a. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

The company's telephone policy application verifier did not clearly advise the applicant that the Limited Medical plan did not qualify as minimum essential coverage under the Federal Affordable Care Act and that the insured may be subject to a tax penalty in 5

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files. There were no telephone verification recordings in 42 files.

Recommendation: The Company should implement procedures to require a clear and concise verification disclosure that the limited benefit plan is not considered “Minimum Essential Coverage” under the Affordable Care Act, and that the insured may be subject to a tax penalty. In addition, the Company should ensure all telephone verification recordings are retained.

79 Exceptions - 18 Del. C. §2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The evidence of form filing with the Department (or SERFF filing) could not be established for the Application/Enrollment form used – Application/Enrollment For Principle Advantage Limited Benefit Health Insurance.

The form used was not the same as the form that was filed. The application/enrollment form in question did not contain a form number and the name the form description was different, although the material contents of the application/enrollment form was the same.

Recommendation 1: It is recommended that the Company implement procedures to ensure that its policy forms in use are filed and/or approved within the jurisdiction and in compliance with 18 Del. C. §2712.

Recommendation 2: It is recommended that the Company implement procedures to include, on the Policies and Certificates, a bold statement to the effect that, “The insurance coverage purchased is not considered ‘Minimum Essential Coverage’ under the Affordable Care Act, and that the insured may be subject to a tax penalty.”

Short Term Medical Applications

The Company provided a list of 55 Short Term Medical Insurance applications written during the examination period of January 1, 2014 to January 31, 2016. All 55 application file documents were reviewed. Sample files included applications taken during the experience period, corresponding schedule of benefit pages, policy form numbers, cancellation/termination notifications where applicable, and all phone call recordings pertaining thereto. The file documents and telephone call recordings were reviewed for compliance with the Delaware Statutes and Regulations.

The following exceptions were noted:

31 Exceptions - 18 Del. C. §1715. Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

Sixteen (16) agents/agencies or producers were not appointed within 15 days from the date the agency contract was executed or the first insurance application was submitted. These sixteen agents sold 31 policies prior to appointment.

Recommendation: It is recommended that the Company implement procedures to ensure that a notice of appointment is filed within 15 days from the date the agency contract is executed or the first insurance application is submitted in compliance with 18 Del. C. §1715.

52 Exceptions 18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. -- No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

a. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

The company's telephone policy application verifier did not clearly advise the applicant that the Limited Medical plan did not qualify as minimum essential coverage under the Federal Affordable Care Act and that the insured may be subject to a tax penalty, in 19 files. There were no telephone verification recordings in 33 files.

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Recommendation: The Company should implement procedures to require a clear and concise verification disclosure that the short-term medical plan is not considered “Minimum Essential Coverage” under the Affordable Care Act, and that the insured may be subject to a tax penalty.

55 Exceptions - 18 Del. C. §2712. Filing, approval of forms.

No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The evidence of form filing with the Department (or SERFF filing) could not be established for the Application form used – STMP 5000B ENR REV – 1st Med Short Term Medical Insurance Application.

The form used was not the same as the form that was filed. The form description was different, although the material contents of the application form was the same.

Recommendation 1: It is recommended that the Company implement procedures to ensure that its policy forms in use are filed and/or approved within the jurisdiction and in compliance with 18 Del. C. §2712.

Recommendation 2: It is recommended that the Company implement procedures to include, on the Policies and Certificates, a bold statement to the effect that, “The insurance coverage purchased is not considered ‘Minimum Essential Coverage’ under the Affordable Care Act, and that the insured may be subject to a tax penalty.”

PRODUCER LICENSING

The Company provided a listing of the Company’s authorized agents during the examination period of January 1, 2014 through January 31, 2016. The Company provided a list of 524 producers, of which 298 were determined to be outside of the examination period. The remaining 226 producers were compared to departmental records of producers to verify licensing, appointments and terminations. In addition, a comparison was made on the producers identified on applications reviewed in the policy applications section of the exam. For this examination, producer licensing exceptions found in the other sections of the examination are addressed in their respective sections above.

No exceptions were noted.

UNDERWRITING AND RATING

POLICY FORMS

The Company provided a list and copies of all forms approved for use in Delaware during the examination period. The forms provided and forms reviewed in various sections of the exam were reviewed to ensure compliance with 18 Del. C. §2712, Filing and approval of forms. For this examination, forms exceptions found in the other sections of the examination were addressed in their respective sections above.

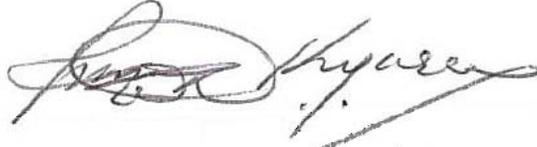
CONCLUSION

The recommendations below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company implement procedures to perform periodic audits of the Third Party Administrators as required by 18 Del. Admin. Code 1406 §7.0. (Company Operations and Management)
2. It is recommended that the Company implement procedures to ensure that the Third Party Administrator websites that reference the Company's products are not misleading in any way as required by 18 Del. C. §2304 . (Marketing and Sales)
3. It is recommended that the Company implement procedures to maintain and provide policy records relating to the subject of the examination in order to facilitate the examination as required by 18 Del. C. §320. (Marketing and Sales)
4. It is recommended that the Company implement procedures to ensure a notice of appointment is filed within 15 days from the date the agency contract is executed or the first insurance application is submitted in compliance with 18 Del. C. §1715. (Marketing and Sales and Producer Licensing)
5. It is recommended that the Company implement procedures to require a clear and concise verification disclosure that the limited benefit plan is not considered "Minimum Essential Coverage" under the Affordable Care Act, and that the insured may be subject to a tax penalty. (Marketing and Sales)
6. It is recommended that the Company implement procedures to ensure that its policy forms in use are filed and/or approved within the jurisdiction and in compliance with 18 Del. C. §2712. (Marketing and Sales)
7. It is recommended that the Company implement procedures to include, on the Policies and Certificates, a bold statement to the effect that, "The insurance coverage purchased is not considered 'Minimum Essential Coverage' under the Affordable Care Act, and that the insured may be subject to a tax penalty." (Marketing and Sales)
8. It is recommended that the Company implement procedures to require a clear and concise verification disclosure that the short-term medical plan is not considered "Minimum Essential Coverage" under the Affordable Care Act, and that the insured may be subject to a tax penalty. (Marketing and Sales)

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The examination was conducted by Shelly Schuman, Gwen Douglas and Frank Kyazze; this report is respectfully submitted.

A handwritten signature in black ink, appearing to read "Frank W. Kyazze", written in a cursive style. The signature is positioned above a horizontal line.

Frank W. Kyazze, CIE, MCM, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance