South Dakota Division of Insurance
Market Conduct Examination Report of
LifeShield National Insurance Company

(NAIC COMPANY CODE 99724)
5701 N. Shartel, 1st Floor
Oklahoma City, OK 73118

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Salutation

August 10, 2020

Honorable Larry Deiter
Insurance Director
State of South Dakota
124 South Euclid Avenue, 2nd Floor
Pierre, South Dakota 57501

Dear Director Deiter:

In compliance with your instructions contained in the Call Letter, dated January 10, 2019, and pursuant to statutory provisions including SDCL Ch. 58-3, a Market Conduct Examination has been conducted of the affairs and practices of:

LIFESHIELD NATIONAL INSURANCE COMPANY

LifeShield National Insurance Company, hereinafter referred to as "LifeShield" or "Company", is incorporated under the laws of the State of Oklahoma. This examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following locations:

5701 N. Shartel, 1st Floor, Oklahoma City, OK 73118
and 14 N. Parker Drive, Janesville, WI 53545

The off-site examination phase was performed at the offices of the South Dakota Division of Insurance, hereinafter referred to as the "Division" and other appropriate locations.

The report of examination thereon is respectfully submitted.

Foreword

This examination reflects the insurance activities of LifeShield National Insurance Company in the State of South Dakota. This Market Conduct Examination Report is, in general, a report by test. Failure to comment on specific products, procedures or files does not constitute approval thereof by the South Dakota Division of Insurance.

In performing this examination, the Division selected a portion of the Company's operations for review. This report does not fully reflect a review of all of the practices and activities of the Company.

Where used in the report:

"LifeShield" or "Company" refers to LifeShield National Insurance Company
"Division" refers to the South Dakota Division of Insurance
"SDCL" refers to the Statutes of South Dakota
"ARSD" refers to South Dakota's Administrative Rules
"EOB" refers to Explanation of Benefits

Scope of Examination

The South Dakota Division of Insurance has authority to perform this examination pursuant to, but not limited to, SDCL Ch. 58-3. This examination of LifeShield National Insurance Company began January 10, 2019. It covered the period of January 1, 2016 through December 31, 2018, unless otherwise noted. The examination reviewed accident and health insurance consisting of short term medical policies written by the Company.

The examination reviewed the following categories of operations:

- Company operations and management
- Complaint handling
- Sales and marketing
- Producer licensing
- Policyholder services
- Underwriting and rating
- Claims

This examination was performed in accordance with Market Regulation standards established by the Division and examination procedures established by the NAIC.

Executive Summary

This market conduct examination focused on the business practices of LifeShield National Insurance Company in the accident and health line especially as it relates to short term medical policies. The Company writes life, accident, cancer, critical illness, short term medical and limited medical lines of business. The following areas were reviewed for compliance with South Dakota statutes and administrative rules:

- Company operations and management
- Complaint handling
- Sales and marketing
- Producer licensing
- Policyholder services
- Underwriting and rating
- Claims

The details of these findings are provided in the respective chapters and sections of the report. In summary, the examiners noted the following:

Report Finding	Violation	Number of Violations	Description
3	SDCL § 58-29D-13	General	Unlicensed administrators
7	SDCL § 58-6-75	2	Improper reporting on annual statements
14	SDCL § 58-33-66(2)	3	Erroneous response letters to Division
20	SDCL § 58-33-5	General	Marketing and sales misrepresentations
21	SDCL § 58-30-176	68	Unappointed producers
34	SDCL § 58-12-20	1	Claim policy provision contrary to statute
49	SDCL §§ 58-33-67(1), 58-12-33(2), and 58-12-34	83	Paid claims-untimely acknowledgements
50	SDCL §§ 58-12-20, 58-12-33(2), and 58-12-34	41	Paid claims-untimely settlements
51	SDCL § 58-12-20	2	Paid claims-Untimely requests
52	SDCL § 58-33-6	51	Paid claims-incorrect EOB
53	SDCL §§ 58-33-67(1), 58-12-33(2), and 58-12-34	62	Paid Claims-untimely EOB
54	SDCL §§ 58-33-67(1), 58-12-33(2), and 58-12-34	73	Denied claims-untimely acknowledgements
55	SDCL §§ 58-12-20, 58-12-33(2), and 58-12-34	31	Denied claims-untimely settlements
56	SDCL § 58-12-20	8	Denied claims-untimely requests

57	SDCL §§ 58-33-67(3), 58-12-33(2), 58-12-34, and 58-33-6	26	Denied claims-incorrect EOB
58	SDCL §§ 58-33-67(1) & (3), 58-12-33(2), and 58-12-34	52	Denied claims-untimely EOB

Given the number of exceptions, the examiners find that the Company failed to adopt adequate procedures or failed to adhere to procedures that were in place.

As noted in comments under Company Operations and Management, the complexity of this examination was increased because functions of the Company were outsourced to third parties requiring examination information to be obtained from various sources. This led to delays in gathering information. There was confusion in the Company as to whether the sold South Dakota policies were tied to associations. This is the case in some states, but not South Dakota. The manner in which claims information is stored presents difficulties in extracting claims data.

Explanation of the Examination Process

Company Operations and Management

The examiners review the operations and management of the Company. The examiners also determine whether the Company facilitates the examination process by providing complete, accurate and timely records and data.

Complaint Handling

The examiners review the complaints the Company and Division receive directly from consumers. The purpose of the review is to determine the accuracy of handling and the resolution of the complaint along with the timeliness of the response.

Marketing and Sales

The examiners evaluate the representations made by the Company about its products or services through a review of the Company's advertising materials and media.

Producer Licensing

The examiners review the Company's compliance with the State's producer licensing and appointment laws. The review includes a comparison between the Company's list of licensed producers, the list of producers receiving commission, the Division's licensing records, and producers listed on the applications in the underwriting sections of the review.

Policyholder Services

The examiners review the Company's policy and procedures relating to its service to policyholders including premium collection, being responsive to inquiries, and properly handling termination of policies.

Underwriting and Rating

The examiners review the Company's underwriting and rating practices. The following items are reviewed for compliance with South Dakota statutes and administrative rules:

- Policy forms
- Underwriting guidelines and company manuals
- Rates and premium assessments
- Policy terminations

The examiners determine if the procedures assist the Company in meeting its compliance obligations, its contractual obligations, and business effectiveness. The examiners also look at the oversight utilized by the Company to ensure its procedures are being followed and performing as intended.

The examiners review the Company's policy forms and underwriting guidelines to determine compliance with filing requirements, to ensure the contract language is not ambiguous, and that the provisions of the policies adequately protect insureds. In addition, the examiners review

active and terminated policy files to determine if the Company is adhering to its own underwriting guidelines and procedures.

Claims

The examiners review the claim practices of the Company in order to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with South Dakota statutes and administrative rules. Practices considered to be a violation include the failure to timely investigate and settle claims and the failure of the Company to correctly calculate claim benefits.

Review of Files

If practical, the examiners conduct a census or complete review of the population of files. In instances where a census review cannot be conducted in an expedient manner, the examiners may review a random sample of the population, including a smaller judgmental sample based on the random sample.

In a random sample, each unit is chosen from the population of files entirely by chance; every unit of the population has an equal probability of being included in the sample. No units have been "preselected" out of the populations. Random selections may be attained through use of a random numbers table or a random numbers generator in computer software.

Background Information

A. History

LifeShield National Insurance Company was incorporated under the laws of the State of Oklahoma under the name "Homeshield Insurance Company" (HIC) on April 28, 1982 as a stock corporation. The Company commenced business on May 6, 1982. In March 2009, the Company adopted its current name of LifeShield National Insurance Company. Homeshield Capital Company is the holding company with one hundred percent ownership of LifeShield National Insurance Company.

B. Profile

The principal place of business for LifeShield National Insurance Company is Oklahoma City, Oklahoma with underwriting and production offices in Eatontown, New Jersey. It is a life and accident and a health insurance carrier. The Company is licensed to sell insurance in forty-two states and the District of Columbia. Its major insurance lines of business are term life, whole life, accidental death and dismemberment, accident medical expense, hospitalization indemnity, cancer, critical illness, short term medical and limited medical.

The Company's total direct earned premiums are:

Year	National Total	South Dakota Total	National Short Term Medical	South Dakota Short Term Medical
2016	$4,439,652	$2,291	$847,632	$971
2017	$32,457,532	$201,984	$26,716,211	$195,279
2018	$87,906,734	$892,935	$78,471,207	$851,412

Examination Findings

I. Company Operations and Management

A review of the Company's operations and management was conducted. The examiners requested, received and reviewed the following information:

A. A list of all audits conducted within the last three (3) years.

Finding 1: No violations were noted.

B. A list of all contracts with any third party entity, including managing general agents, general agents, third-party administrators (TPAs) and vendors conducting activities on behalf of the insurer.

Finding 2: No violations were noted.

C. Policies and procedures or other documentation demonstrating that the Company is adequately monitoring the activities of any third party entities.

Finding 3: The Company utilizes multiple third party administrators to issue policies and adjust claims. One administrator did not have an active license from January 1, 2016 through October 10, 2018 and another did not have an active license from July 2, 2017 through October 3, 2017. This conduct constitutes violations of SDCL § 58-29D-13.

Recommendation 3: It is recommended that the Company adopt and adhere to policies and procedures to ensure that all third-party administrators are properly and continuously licensed pursuant to SDCL § 58-29D-13.

D. A written overview of the Company's operations.

Finding 4: No violations were noted.

E. Policies and procedures or other documentation demonstrating that the Company is required to respond to requests from the examiners in a timely manner.

The Company timely responded to requests for information from the examiners. However, several issues contributed to the complexity of the examination and additional investigations by the examiners.

First, the functions of policy issuance and claims adjudication are completely outsourced to third parties. Although the Company endeavored to coordinate the information flow, this required the examiners to obtain information from these independent vendors and to understand separate operations.

Second, the Company had initially stated that the business in the state was in conjunction with associations. The Company then corrected its misstatement and, as ultimately determined by this examination, policies were not issued in conjunction with associations. However, as

demonstrated by findings in this examination, mistakes were made in communicating with insureds and the Division relating to whether business was with associations.

Finally, the Company claims operations primarily identified claim files by insureds rather than individual claims. Numerous claim submissions were grouped under an individual's name. Within this context, correspondence was found to be issued regarding an insured's claim but when another related claim was received, additional correspondence such as a claim acknowledgement was not generated. This structure contributed to confusing claims data received by the examiners requiring additional inquiry and findings related to untimeliness in claims handling.

Finding 5: No violations were noted.

F. A listing of all fines, penalties and recommendations from any state for the last five (5) years and copies of all financial and market conduct examination.

Finding 6: No violations were noted.

G. The annual statements for the prior three (3) years including any accident and health related schedules or statements.

Finding 7: The Company's 2016 and 2017 Annual Statements (South Dakota) reflect premium for the Short Term Health Product on line 24 in the Accident and Health Insurance block, with erroneous reporting of individual premium as group premium. This conduct constitutes violations of SDCL § 58-6-75.

Recommendation 7: It is recommended that the Company adopt and adhere to policies and procedures to ensure that premium is properly reported on the annual statements pursuant to SDCL § 58-6-75.

H. The Company's South Dakota Certificate(s) of Authority.

Finding 8: No violations were noted.

I. The history of the Company.

Finding 9: No violations were noted.

II. Complaint Handling

A review of the Company's complaint handling was conducted. The examiners requested, received and reviewed the following information:

A. Documentation that all complaints are recorded in the required format on the regulated entity's complaint register and recurring internal reports.

Finding 10: No violations were noted.

B. Policies and procedures related to complaint handling and for communicating such procedures to policyholders including social media.

Finding 11: No violations were noted.

C. Policies and procedures or other documentation demonstrating that the Company resolve complaints.

Finding 12: No violations were noted.

D. Documentation of the timeframe within which the Company responds to complaints

Finding 13: No violations were noted.

E. Complaint File Review

The examiners requested all complaints received from consumers and the Division. The Company provided seven complaints that were received through the Division and one complaint was received directly from an insured.

Population Size:	8
Review Size:	8
Review Type:	Census Review
Number of Violations:	3

Finding 14: The Company sent complaint response letters to the Division erroneously stating that it had partnered with one of its vendors to offer short term medical insurance through an association in three instances out of eight complaint files reviewed, for an error percentage of 37.50%. This conduct constitutes a violation of SDCL § 58-33-66(2).

Recommendation 14: It is recommended that the Company adopt and adhere to policies and procedures to ensure that complaint response letters are accurate pursuant to SDCL § 58-33-66(2).

III. Marketing and Sales

A review of the Company's marketing and sales was conducted. The examiners requested, received and reviewed the following information:

A. Advertising materials used by the Company including both Company generated, and producer generated material.

Finding 15: No violations were noted.

B. All marketing websites for short term medical products.

Finding 16: No violations were noted.

C. All marketing entities, including associations, independent marketing agencies or affiliated insurance companies that sell the Company's products. The Company

was further requested to explain the role of third parties in selling products and provided contracts under which the parties were operating.

Finding 17: No violations were noted.

D. Policies and procedures or other documentation demonstrating the Company's communications to producers. The Company was also requested to provide training materials used for producers.

Finding 18: No violations were noted.

E. Policies and procedures or other documentation demonstrating the Company's outline of coverages.

Finding 19: No violations were noted.

F. Sales Related Files-Misrepresentation

During the review of sales related files throughout the examination, the examiners determined that misrepresentations had occurred. This conduct constitutes violations of SDCL § 58-33-5.

Finding 20: (a) The examiners requested, received and reviewed 115 application files for compliance. The Company provided recorded sales calls in four of the files, two from each vendor used to market policies. In two instances out of four calls reviewed, for an error percentage rate of 50% (with both files in error from the same vendor), the Company made a misrepresentation to the customer that the product was a "short term major medical plan", when in fact, the products sold were not major medical plans but rather short term medical plans.

(b) The Company provided eight complaint files. In one of those complaint files, two sales calls to the same customer were produced, a preliminary sales call dated 1-6-2018 and a sales call dated 1-16-2018, that also included a verification portion. In the preliminary call, the Company misrepresented the plan as a major medical plan, and then later referred to the plan as a short term major medical plan. In the 1-16-2018 call, when referencing the potential tax penalty, the Company representative stated, "You do not have to worry about the penalty. You have insurance." The Company in the 1-16-2018 verification portion of the call stated the plan was not a major medical plan, did not qualify under the ACA, was not a substitute for comprehensive health insurance coverage, and that the insured may be subject to a federal tax penalty.

While the Company's underwriting guidelines do not generally allow issuance of plans for preexisting conditions or payment for such claims, the Company representative in the preliminary call indicated that the preexisting conditions the customer described were not a problem and the customer would still qualify for the insurance. The customer also described her preexisting condition in the 1-16-2018 call and discussed specific prescription needs.

A fee of $25 was described as a "processing" or "enrollment" fee in the sales call dated 1-16-2018. Although not described as such in the call, the Company states in other documentation that this would normally be an association fee. In the verification portion of the 1-16-2018 call, the representative described a $2.00 association fee. However, no associations were involved at the time of the insurance transaction. The Company states that the insured joined an association at a later time. While association membership is not a requirement to purchase the policy, any customer can join the association separately, which is what occurred in this case.

(c) In seventy-eight instances out of 115 application files reviewed, for an error percentage of 67.82%, the Company sent welcome letters to customers providing the costs of the LifeShield short term medical plan with other non-insurance products stating, "thank you for requesting membership in --------- Association and applying for LifeShield STM...." However, there is no association involvement in these sales. Two vendors are used by the Company for sales. Of the 115 application files, 110 files are from one of the vendors with all seventy-eight exceptions from that vendor. The Company advised these letters that were sent in error were discovered in September 2018. However, the practice continued until June 2019.

Recommendation 20: It is recommended that the Company adopt and adhere to policies and procedures to ensure that communications with policyholders are accurate and do not contain misrepresentations pursuant to SDCL § 58-33-5.

IV. Producer Licensing

A review of the Company's producer licensing was conducted. The examiners requested, received and reviewed the following information:

A. A listing of all producers licensed and appointed.

Population Size:	243
Review Size:	243
Review Type:	Census Review
Number of Violations:	68

Finding 21: The examiners compared dates of appointments to the universe of applications resulting in new business during the examination period. Out of 243 producers provided by the Company, there were sixty-eight producers where policies were issued without proper appointments, for an error percentage of 27.98%. This conduct constitutes violations of SDCL § 58-30-176.

Recommendation 21: It is recommended that the Company adopt and adhere to policies and procedures to ensure that producers are properly appointed pursuant to SDCL § 58-30-176.

B. A listing of all producers who received commission.

Population Size:	68
Review Size:	68
Review Type:	Census Review
Number of Violations:	0

Finding 22: No violations were noted.

C. A listing of all producers who have been terminated

Population Size:	59
Review Size:	16
Review Type:	Random
Number of Violations:	0

Finding 23: No violations were noted.

V. Policyholder Services

A review of the Company's policyholder services was conducted. The examiners requested, received and reviewed the following information:

A. Policies and procedures for premium collection/billing practices describing requirements for issuance of notices with required advance notice with a sample of premium notices and billing notices.

Finding 24: No violations were noted.

B. Policies and procedures or other documentation describing requirements for timely policy issuance and insured-requested cancellations.

Finding 25: No violations were noted.

C. Policies and procedures or other documentation describing requirements for timely and responsive answers by the appropriate department to all correspondence directed to the Company.

Finding 26: No violations were noted.

D. Policies and procedures or other documentation demonstrating that policyholder service is properly handled. The Company was also requested to provide forms and filing information used in the state.

Finding 27: No violations were noted.

E. Policies and procedures or other documentation demonstrating unearned premium calculation and refund.

Finding 28: No violations were noted.

F. Policies and procedures or other documentation demonstrating how the Company monitors and assures that reinstatement is applied consistently and in accordance with policy provisions.

Finding 29: No violations were noted.

G. Policies and procedures or other documentation demonstrating how the Company establishes creditable coverage.

Finding 30: No violations were noted.

VI. Underwriting and Rating

A review of the Company's underwriting and rating was conducted. The examiners requested, received and reviewed the following information:

A. Policies and procedures or other documentation demonstrating proper mandated disclosures.

Finding 31: No violations were noted.

B. Policies and procedures documenting Company requirements for cancellation/nonrenewal, discontinuance and declination notices. The Company was also requested to provide a list of policies.

The Company stated that there were no rescissions or declinations. The Company stated it refuses those persons who do not pass an initial five question screening. Those persons are not allowed to apply. The questions that will exclude qualification for coverage include eligibility for Medicare or Medicaid, being pregnant or excessively overweight, other health insurance eligibility, certain previous conditions, and AIDs related diagnosis.

The Company reported no Company initiated cancellations, stating that all policies were either terminated by the policyholder or lapsed for nonpayment of premium.

Finding 32: No violations were noted.

C. Policies and procedures or other documentation demonstrating that cancellation practices comply with policy provisions, HIPAA and state laws.

Finding 33: No violations were noted.

D. A copy of each accident and health policy form used in South Dakota including all disclosures.

The Company supplied the forms and policies filed with the state of South Dakota Division of Insurance. Forms were found to be properly filed with the Division of Insurance.

Finding 34: The coverage in the Company policies provides that claims will be settled within sixty days. This is contrary to statute that provides that clean claims will be settled within thirty calendar days after receipt by the carrier if submitted electronically and within forty-five calendar days after receipt if submitted by paper. This conduct constitutes violations of SDCL § 58-12-20.

Recommendation 34: It is recommended that the Company adopt and adhere to policies and procedures to ensure that policy forms adhere to state requirements pursuant to SDCL § 58-12-20. In addition, the Company shall refile its policy forms in conformity with this finding.

E. Application File Reviews

The examiners reviewed the application files provided by the Company including the policy form, outline of coverage, signed consumer application, delivery proof and any cancelations and proof and any sales calls associated with the file.

Population Size:	2857
Review Size:	115
Review Type:	Random
Number of Violations:	0

Finding 35: No violations were noted.

The examiners also took a judgmental selection from the random sample of the applications and conducted a review of the rating of the policies.

Population Size:	2857
Review Size:	7
Review Type:	Random
Number of Violations:	0

Finding 36: No violations were noted.

VII. Claims

A review of the Company's claims was conducted. The examiners requested, received and reviewed the following information:

A. Policies and procedures or other documentation for the initial contact with the claimant.

Finding 37: No violations were noted.

B. Policies and procedures or other documentation demonstrating that investigations are conducted timely.

Finding 38: No violations were noted.

C. Policies and procedures or other documentation demonstrating that claims are resolved in a timely manner and all claim handling procedures.

Finding 39: No violations were noted.

D. Policies and procedures or other documents demonstrating that claims correspondence is responded to in a timely manner including a brief description of how claims are handled from the date received through closure with timeliness requirements.

Finding 40: No violations were noted.

E. Policies and procedures or other documents demonstrating that claim files are adequately documented.

Finding 41: No violations were noted.

F. Policies and procedures or other documents demonstrating that claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

Finding 42: No violations were noted.

G. Policies and procedures or other documentation demonstrating as to how claim forms are appropriate for the type of product.

Finding 43: No violations were noted.

H. Policies and procedures or other documentation demonstrating as to how claim files are reserved in accordance with the Company's established procedures.

Finding 44: No violations were noted.

I. Policies and procedures or other documentation demonstrating as to how denied and closed without payment claims are handled in accordance with policy provisions and state law.

Finding 45: No violations were noted.

J. Policies and procedures or other documentation demonstrating as to how canceled benefit checks and drafts reflect appropriate claim handling practices.

Finding 46: No violations were noted.

K. Policies and procedures or other documentation demonstrating as to how claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

Finding 47: No violations were noted.

L. Policies and procedures or other documentation demonstrating that claim files are handled in accordance with policy provisions, HIPAA and state law.

Finding 48: No violations were noted.

M. Short Term Medical Claim File Reviews

Short Term Medical Paid Claims-Untimely Acknowledgements

Population Size:	2040
Review Size:	107
Review Type:	Random
Number of Violations:	83

Finding 49: The Company failed to timely acknowledge claims within thirty days in eighty-three instances out of 107 Short Term Medical paid claims files reviewed, for an error percentage of 77.57%. This conduct constitutes violations of SDCL § 58-33-67(1).

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to acknowledge with reasonable promptness pertinent

communications with respect to claims arising under its policies. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 49: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely acknowledges claims pursuant to SDCL § 58-33-67(1), 58-12-33(2), and 58-12-34.

Short Term Medical Paid Claims- Untimely Settlements

Population Size:	2040
Review Size:	107
Review Type:	Random
Number of Violations:	41

Finding 50: The Company failed to pay, deny or settle clean claims, as defined by SDCL § 58-12-19, within thirty calendar days after receipt by the carrier if submitted electronically and within forty-five calendar days after receipt if submitted by paper in forty-one instances out of 107 Short Term Medical paid claims files reviewed, for an error percentage of 38.32%. This conduct constitutes violations of SDCL § 58-12-20.

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to adopt and implement reasonable standards to promptly complete claim investigations and settlement of claims arising under its policies. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 50: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely settles claims pursuant to SDCL §§ 58-12-20, 58-12-33(2), and 58-12-34.

Short Term Medical Paid Claims- Untimely Requests

Population Size:	2040
Review Size:	107
Review Type:	Random
Number of Violations:	2

Finding 51: The Company failed to timely request additional information within thirty calendar days that was needed to determine eligibility or adjudicate the claim in two instances out of 107 Short Term Medical paid claims files reviewed, for an error percentage of 1.87%. This conduct constitutes violations of SDCL § 58-12-20.

Recommendation 51: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely requests additional information for the settlement of claims pursuant to SDCL § 58-12-20.

Short Term Medical Paid Claims- Incorrect Explanation of Benefits (EOB)

Population Size:	2040
Review Size:	107

Review Type:	Random
Number of Violations:	51

Finding 52: The Company failed to adopt and implement reasonable standards to settle claims arising under its policies by sending the wrong EOB or having incorrect information in the explanations in fifty-one instances out of 107 Short Term Medical paid claims files reviewed, for an error percentage of 47.66%. This conduct constitutes violations of SDCL § 58-33-6.

Recommendation 52: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company sends correct EOB to claimants of claims pursuant to SDCL § 58-33-6.

Short Term Medical Paid Claims- Untimely EOB

Population Size:	2040
Review Size:	107
Review Type:	Random
Number of Violations:	62

Finding 53: The Company failed to send an EOB within a reasonable time after settlement in sixty-two instances out of 107 Short Term Medical paid claims files reviewed, for an error percentage of 57.94%. This conduct constitutes violations of SDCL § 58-33-67(1).

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to adopt and implement reasonable standards to promptly complete claim investigations and settlement of claims arising under its policies This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 53: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company sends timely EOB to claimants pursuant to SDCL §§ 58-33-67(1), 58-12-33(2), and 58-12-34.

Short Term Medical Denied Claims-Untimely Acknowledgements

Population Size:	7189
Review Size:	109
Review Type:	Random
Number of Violations:	73

Finding 54: The Company failed to timely acknowledge claims within thirty days in seventy-three instances out of 109 Short Term Medical denied claims files reviewed, for an error percentage of 66.97%. This conduct constitutes violations of SDCL § 58-33-67(1).

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 54: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely acknowledges claims pursuant to SDCL § 58-33-67(1), 58-12-33(2) and 58-12-34.

Short Term Medical Denied Claims- Untimely Settlements

Population Size:	7189
Review Size:	109
Review Type:	Random
Number of Violations:	31

Finding 55: The Company failed to pay, deny or settle clean claims, as defined by SDCL § 58-12-19, within thirty calendar days after receipt by the carrier if submitted electronically and within forty-five calendar days after receipt if submitted by paper in thirty-one instances out of 109 Short Term Medical denied claims files reviewed, for an error percentage of 28.44%. This conduct constitutes violations of SDCL § 58-12-20.

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to adopt and implement reasonable standards to promptly complete claim investigations and settlement of claims arising under its policies. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 55: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely settle claims pursuant to SDCL §§ 58-12-20, 58-12-33(2), and 58-12-34.

Short Term Medical Denied Claims- Untimely Requests

Population Size:	7189
Review Size:	109
Review Type:	Random
Number of Violations:	8

Finding 56: The Company failed to timely request additional information within thirty calendar days that was needed to determine eligibility or adjudicate the claim in eight instances out of 109 Short Term Medical denied claims files reviewed, for an error percentage of 7.33%. This conduct constitutes violations of SDCL § 58-12-20.

Recommendation 56: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company timely requests additional information for the settlement of claims pursuant to SDCL § 58-12-20.

Short Term Medical Denied Claims- Incorrect EOB

Population Size:	7189
Review Size:	109
Review Type:	Random
Number of Violations:	26

Finding 57: The Company failed to provide a reasonable explanation for denial of a claim or provided an incorrect EOB in twenty-six instances out of 109 Short Term Medical denied claims files reviewed, for an error percentage of 23.85%. This conduct constitutes violations of SDCL §§ 58-33-67(3) and 58-33-6.

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to adopt and implement reasonable standards to settle claims arising under its policies and to provide a reasonable and accurate explanation for the basis of the denial. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 57: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company sends correct EOB to claimants pursuant to SDCL §§ 58-33-67(3), 58-33-6, 58-12-33(2), and 58-12-34.

Short Term Medical Denied Claims- Untimely EOB

Population Size:	7189
Review Size:	109
Review Type:	Random
Number of Violations:	52

Finding 58: The Company failed to send an EOB within a reasonable time after settlement in fifty-two instances out of 109 Short Term Medical denied claims files reviewed, for an error percentage of 47.70%. This conduct constitutes violations of SDCL § 58-33-67(1) & (3).

In addition, these acts were committed or performed with such frequency as to indicate an unfair claims practice by the insurer in failing to adopt and implement reasonable standards to promptly complete claim investigations and settlement of claims arising under its policies and to promptly provide a reasonable and accurate explanation of the denial. This is defined in SDCL §§ 58-12-33(2) and 58-12-34.

Recommendation 58: It is recommended that the Company adopt and adhere to policies and procedures to ensure that the Company sends timely EOB to claimants pursuant to SDCL §§ 58-33-67(1) & (3), 58-12-33(2), and 58-12-34.

Conclusion

This report is respectfully submitted to the South Dakota Division of Insurance. The courtesy and cooperation of the officers and employees of the Company during the examination are gratefully acknowledged.

This examination was completed by examiners Shelly Schuman, J. Joseph Cohen, Elizabeth Harvey, Lisa Crump, Jerry Kennedy and staff from the South Dakota Division of Insurance assisted in the examination.

Respectfully submitted,

J. Joseph Cohen
Market Conduct Examiner-In-Charge
INS Regulatory Insurance Services, Inc.

Shelly Schuman, ACS, AIE, AMCM, CICSR, FLMI, HIA
Market Conduct Supervising Examiner
INS Regulatory Insurance Services, Inc.

Acknowledged, sworn to and subscribed before me on this 10th day of August 2020 by J. Joseph Cohen, identification proved through TX driver's license: #43489684

Commission expires: 12/13/2020

Notary

KATELYN VAN SLYCKE
Notary Public, State of Texas
Comm. Expires 12-13-2020
Notary ID 129232739

Acknowledged, sworn to and subscribed before me on this 10th day of August 2020 by Shelly Schuman, identification proved through MO driver's license: L1122080006

Commission expires: 12-12-2021

Notary

PRECIOUS MILLER
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: December 12, 2021
Commission Number: 17980448