



REPORT ON  
MARKET CONDUCT EXAMINATION

of

FIDELITY SECURITY LIFE INSURANCE COMPANY (VISION PPO)  
Kansas City, Missouri

BY REPRESENTATIVES OF THE  
NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

October 20, 2011

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Raleigh, North Carolina  
October 20, 2011

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
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Honorable John M. Huff  
Director of Insurance  
Missouri Department of Insurance  
Financial Institutions and Professional Registration (DIFP)  
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Jefferson, Missouri 65102-0690

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the Vision Preferred Provider Organization (PPO)

**FIDELITY SECURITY LIFE INSURANCE COMPANY**  
**(NAIC #71870)**  
NAIC Exam Tracking System Exam Number: NC170-M94  
Kansas City, Missouri

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 South Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## **FOREWORD**

This examination reflects the North Carolina insurance activities of Fidelity Security Life Insurance Company (Vision PPO). The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

## **SCOPE OF EXAMINATION**

This examination commenced on August 23, 2010 and covered the period of January 1, 2007 through December 31, 2008, with analyses of certain operations of the Company being conducted through October 11, 2011. All comments made in this report reflect conditions observed during the period of the examination.

The examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook procedures, including analyses of Company operations and accordingly included tests of provider relations and delivery system, claims practices, policyholder treatment and delegated oversight.

It is the Department's practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/non-compliance at or above the following levels: 0 percent for utilization review determinations, grievances (including quality of care), sales and advertising, producers who were not appointed and/or licensed, the use of contract forms that were neither filed with nor approved by the Department, the listing of a provider/facility in the provider/facility directory prior to being fully credentialed, and use of unapproved underwriting methodology and factors; 7.0 percent for claims practices, provider and facility credentialing, and the content of quality management and utilization management review notification letters; and 10.0 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the Company.

## EXECUTIVE SUMMARY

This target examination revealed concerns with Company procedures and practices in the following areas:

*Delegated Oversight* – failure to establish an internal audit mechanism for reviewing its intermediary organizations' provider contracts and failure to conduct a review of said contracts on an on-going annual basis to ensure compliance with regulations; failure to receive approval from the Department prior to executing an intermediary agreement; failure to conduct oversight activities during 2007 of the provider availability/accessibility standards for an intermediary; failure of an intermediary to establish a claims processing timeliness standard which is compliant with Prompt Pay Law.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking "NCDOI DIVISIONS" then "Legislative Services".

In the course of an examination, various non-compliant practices may be identified, some of which may extend to other jurisdictions. In such cases, the Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company's practices and ensure consumer protection.

## COMPANY OVERVIEW

### History and Profile

Fidelity Security Life Insurance Company was incorporated in Missouri in 1968. The Company remains in family control under the majority ownership of Richard F. Jones. The

Company is licensed in 50 states and the District of Columbia. The Department approved the Company's Vision PPO plan on August 29, 2006 and the Company began marketing the product on October 18, 2006.

### **GENERAL ADMINISTRATION**

The Company's general administration activities were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. No irregularities, adverse trends, or unfair trade practices were perceived in this section of the examination.

### **PROVIDER RELATIONS AND DELIVERY SYSTEM**

The Company's provider relations and delivery system activities were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. The Company delegates its provider network to its intermediaries, EyeMed Vision, LLC and OptiCare Vision Company, Inc. Please refer to the Delegated Oversight section of this report for discussion of the Company's monitoring activities.

### **CLAIMS PRACTICES**

The Company's claims practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. The Company delegates claims adjudication and payment functions to its intermediaries, First American Administrators, Inc. and OptiCare Vision Company, Inc. Other claims administration functions are delegated to EyeMed Vision Care, LLC and Insurers Administrative Corporation. Please refer to the Delegated Oversight section of this report for discussion of the Company's monitoring activities.

### **POLICYHOLDER TREATMENT**

The Company's policyholder treatment activities were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules. The Company delegates policyholder treatment to its intermediaries, EyeMed Vision Care, LLC,

OptiCare Vision Company, Inc. and Insurers Administrative Corporation. Please refer to the Delegated Oversight section of this report for discussion of the Company's monitoring activities.

## **DELEGATED OVERSIGHT**

### Intermediary Organizations

The Company contracts with EyeMed Vision Care, LLC and OptiCare Vision Company, Inc. for the provision of its provider network and credentialing functions. The Company failed to receive approval from the Department prior to executing its intermediary agreement with OptiCare Vision Company, Inc. Therefore, the Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0201.

### Intermediary Provider Contracts

The Company has not established an adequate internal audit mechanism for reviewing the provider contracts of its intermediaries, EyeMed Vision Care, LLC and OptiCare Vision Company, Inc. During the examination period, the Company failed to conduct adequate oversight and monitoring of these intermediaries' provider contracts on an on-going annual basis to ensure compliance with the provisions of 11 NCAC 20.0202. Therefore, the Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0204.

### Provider Directories

The Company's intermediaries, EyeMed Vision Care, LLC and OptiCare Vision Company, Inc. provide and maintain provider directories on their website. These directories are updated in real-time and include all of the required provisions for provider directories. The Company provided stagnant versions of the directories in accordance with the provisions of NCGS 58-3-245.

### Network Availability and Accessibility Standards

The Company's intermediaries, EyeMed Vision Care, LLC and OptiCare Vision Company, Inc. have developed a formal methodology to determine specific numbers of



providers, in accordance with the provisions of 11 NCAC 20.0301. The methodology includes performance targets that address the following:

- the number and type of vision providers, as applicable;
- a method to determine when the addition of providers to the network will be necessary; and
- a method for arranging or providing vision services outside of the service area when providers are not available in the area.

Each intermediary provided Geo-Access reports which were run during the examination period and each intermediary has developed performance targets for member access to vision providers. Written policies and performance targets address the distance a member must travel to obtain services and appointment availability, in accordance with the provisions of 11 NCAC 20.0302. However, the Company did not conduct oversight/monitoring activities during 2007 regarding the provider availability and accessibility standards for EyeMed Vision Care, LLC, which is required at least annually. Therefore, the Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0304.

#### Claims Processing Policies and Procedures

OptiCare Vision Company, Inc. has established policies and procedures which reflect the requirements of NCGS 58-3-225 (Prompt Pay Law). First American Administrators, Inc. provided a policy which contains a standard for claims processing timeliness of 90 percent processed within 10 business days from receipt. The policy does not address the timely processing of the remaining 10 percent of received claims. Prompt Pay Law states that a Company must either pay, deny or pend 100 percent of claims within 30 days of receipt. Therefore, the Company was deemed to be in apparent violation of the provisions of NCGS 58-3-225.

#### Claims Monitoring and Oversight

The Company conducted oversight and monitoring of the claims administration and adjudication services of First American Administrators, Inc. and OptiCare Vision Company, Inc.

in accordance with the provisions of NCGS 58-56-26, which requires oversight on a semi-annual basis, including an annual on-site review for each entity.

#### Telephone Access

EyeMed Vision Care, LLC operates a call center which accepts member and provider telephone calls through a toll-free telephone line Monday through Saturday 8:00 AM to 11:00 PM and Sunday 11:00 AM through 8:00 PM. After normal business hours, the call system can handle certain functions automatically; for other requests, callers are instructed to call back during stated business hours.

OptiCare Vision Company, Inc. operates a call center which accepts member and provider telephone calls through a toll-free telephone line Monday through Sunday 8:00 AM to 8:00 PM. After normal business hours, the caller instructed to call back during stated business hours.

Insurers Administrative Corporation operates a call center which accepts member and provider telephone calls through a toll-free telephone line Monday through Friday 6:00 AM to 4:30 PM. After normal business hours, the caller is given the option of leaving a voicemail which is returned the next business day.

#### Telephone Standards and Monitoring Results

Each delegated entity has established customer telephone service standards and has monitored actual performance. The standards established by the entities are as follows:

- Call abandonment rate: < 5 percent
- Call average speed of answer (ASA):  $\leq$  30 seconds

EyeMed Vision Care, LLC did not meet either standard during February 2007 and November 2008 and did not meet the average speed of answer standard during December 2008. OptiCare Vision Company, Inc. did not meet the abandonment rate standard during March and April 2007 and January 2008 and did not meet the average speed of answer standard during February 2007.

## SUMMARY

The target examination revealed the following:

1. Delegated Oversight
  - a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0201 as it failed to receive approval from the Department prior to executing its intermediary agreement with OptiCare Vision Company, Inc.
  - b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0204 as it failed to conduct adequate oversight and monitoring of the provider contracts utilized by its intermediaries, EyeMed Vision Care, LLC and OptiCare Vision Company, Inc. during the examination period to ensure compliance with the provisions of 11 NCAC 20.0202.
  - c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 20.0304 as it did not conduct oversight and monitoring activities during 2007 of the provider availability and accessibility standards for EyeMed Vision Care, LLC.
  - d. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-225 as its intermediary, First American Administrators, Inc. established a standard for claims processing timeliness which does not meet Prompt Pay Law requirements.
2. Additional Issues Noted During the Examination
  - a. The Company did not have adequate policies and procedures which address the monitoring of intermediary provider contracts as required by 11 NCAC 20.0204.
  - b. The Company's intermediary, EyeMed Vision Care, LLC did not meet the established telephone service standards during February 2007 and November 2008 and did not meet the average speed of answer standard during December 2008.
  - c. The Company's intermediary, OptiCare Vision Company, Inc. did not meet the abandonment rate standard for telephone service during March and April of 2007 and January 2008 and did not meet the average speed of answer standard during February 2007.

## TABLE OF STATUTES AND RULES

<u>Statute/Rule</u>	<u>Title</u>
NCGS 58-2-131	Examinations to be made; authority, scope, scheduling, and conduct of examinations.
NCGS 58-2-132	Examination reports.
NCGS 58-2-133	Conflict of interest; cost of examinations; immunity from liability.
NCGS 58-2-134	Cost of certain examinations.
NCGS 58-3-225	Prompt claim payments under health benefit plans.
NCGS 58-3-245	Provider directories.
NCGS 58-56-26	Responsibilities of the insurer.
11 NCAC 20.0201	Written Contracts.
11 NCAC 20.0202	Contract Provisions.
11 NCAC 20.0204	Carrier and Intermediary Contracts.
11 NCAC 20.0301	Provider Availability Standards.
11 NCAC 20.0302	Provider Accessibility Standards.
11 NCAC 20.0304	Monitoring Activities.

## CONCLUSION

A target examination has been conducted on the market conduct affairs of Fidelity Security Life Insurance Company (Vision PPO) for the period of January 1, 2007 through December 31, 2008 with analysis of certain operations of the Company being conducted through October 11, 2011. The Company's response to this report, if any, is available upon request.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation

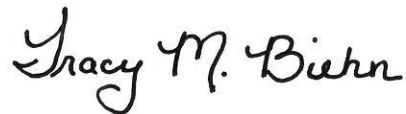
Handbook procedures, including analyses of Company operations in the areas of general administration, provider relations and delivery system, claims practices, policyholder treatment and delegated oversight.

Respectfully submitted,

Handwritten signature of Scott D. Grindstaff in black ink.

Scott D. Grindstaff, MHP, HIA  
Senior Examiner  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

Handwritten signature of Tracy M. Biehn in black ink.

Tracy M. Biehn, LPCS, MBA  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina