

MARKET CONDUCT
EXAMINATION REPORT OF
WELLMARK, INC.
DES MOINES, IOWA
AS OF DECEMBER 31, 2016

Des Moines, Iowa
August 1, 2018

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a risk-focused market conduct examination has been made of the business practices of

WELLMARK, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2016

at its home office located at 1331 Grand Avenue, Des Moines, Iowa.

INTRODUCTION

This examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. Wellmark, Inc., hereinafter referred to as the "Company", was previously examined as of December 31, 2011.

The Company's affiliate, Wellmark Health Plan of Iowa, Inc., was examined concurrently with this examination.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination covers the period from January 1, 2012 through December 31, 2016. It was conducted and performed solely for the Iowa Insurance Division by its examiners. A risk-focused examination reviews and evaluates the insurer's business processes and controls related to statutory compliance and unfair trade practices.

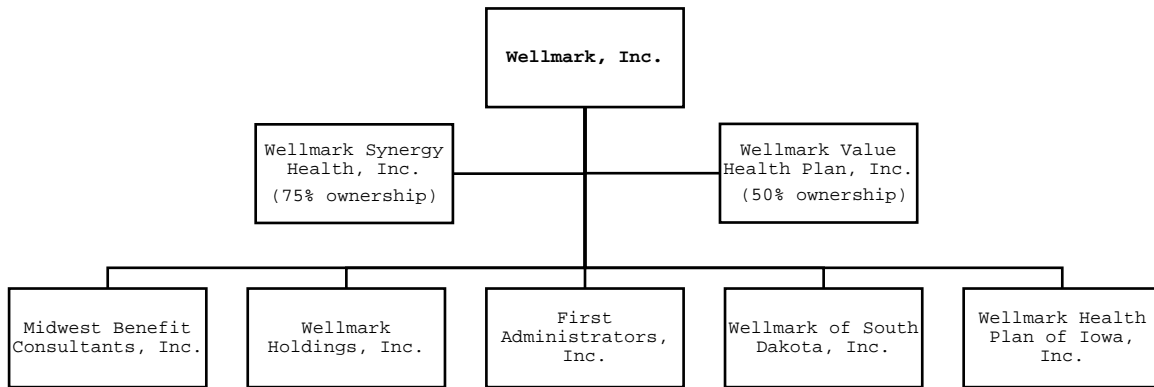
TERRITORY AND PLAN OF OPERATION

At December 31, 2016, the Company was licensed to transact business in the states of Iowa and South Dakota. In Iowa, the products marketed include group and individual major medical, Medicare supplement and various other health care coverages.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a part of the Wellmark, Inc. holding company system, as defined by Chapter 521A, Code of Iowa.

The following is the organizational chart of the holding company group at December 31, 2016:



RISK FOCUSED PROCEDURES

The risk-focused exam reviews the Company's internal policies procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The exam then focuses on the Company's compliance with those policies, procedures, and control structures. The following areas of operations were reviewed as a part of the risk-focused exam process:

Complaints - This portion of the exam is designed to determine how the regulated entity treats individuals who have filed complaints with the Company and whether that treatment is in compliance with applicable statutes and regulations. A complaint is any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws.

The examiners reviewed the complaint register and complaint handling procedures. The Company considers an individual filing an appeal as a communication of dissatisfaction or complaint. A majority of the complaints were appeal files. The Examiners pulled a sample of 50 complaints/appeals to determine if the register was accurate, whether the Company provides complete responses, takes appropriate actions, and responds in a timely manner. The format of the complaint register was found to be in compliance with Iowa Administrative Code (IAC) section 191-15.13 Appendix III, however, there were three recording errors found in the sample. All complaints sampled were found to be handled properly.

Marketing and Sales - This portion of the examination is designed to evaluate the Company's control over the development, content, form, and method of dissemination of all advertisements as well as evaluate sales practices to ensure the regulated entity is in compliance with applicable statutes and regulations.

The examiners reviewed the Company's records of advertisements and marketing materials, as well as the policy for the development, approval, and use of advertisements. Examiners also reviewed the training and education materials used for the onboarding of producers prior to the sale of insurance. All were found to be in compliance with state statutes and regulations.

Producer Licensing - This portion of the examination is designed to test a regulated entity's compliance with state producer licensing statutes and regulations.

The examiners reviewed the Company's appointment, termination, and license monitoring procedures. The Company uses a vendor to keep producer license information up to date internally and with the Iowa Insurance Division. Examiners reviewed the Company's procedures for training producers and ensuring compliance with Company procedures, agent contract, and applicable state statutes. These procedures were found to be in compliance with state statutes and regulations.

Policyholder Services - The policyholder service portion of the examination is designed to evaluate a regulated entity's compliance with the protection of personal information, oversight of third-parties assuming a business function for the Company, training of customer service representatives, and consistent application of reinstatement provisions in accordance with Company policies.

The examiners reviewed the Company's privacy policy and procedures which follow HIPAA guidelines or the privacy laws of the state that has jurisdiction over the Company if those protections are greater. Examiners reviewed the Company's contracts with third-parties, the completed audit reports, and reviewed the Company's third-party oversight processes. Examiners reviewed the training procedures for customer service representatives. Examiners also reviewed the Company's rescission and reinstatement policy and procedures. All were found to be in compliance with state statutes and regulations.

Claim Practices - The claims portion of the examination is designed to provide a view of how the regulated entity treats claimants and whether that treatment is in compliance with applicable statutes and regulations.

The examiners reviewed the Company's claim handling procedures. Examiners reviewed the audit performed by the Company's Internal Audit department that sampled 780 claims for Iowa members or groups to ensure proper claim handling. Examiners found their claim handling process to be appropriate, accurate, and timely. The Examiners also reviewed procedures for the identification and reporting of fraudulent or suspicious claims. All samples and procedures were in compliance with applicable statutes and regulations.

Underwriting Practices - The underwriting portion of the examination is designed to provide a view of how the regulated entity treats the public and whether that treatment is in compliance with applicable statutes and regulations.

The examiners reviewed the Company's procedures relating to cancellations and adherence to the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA) and the Affordable Care Act (ACA). All procedures were found to be in compliance with applicable statutes and regulations.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Andrya Carter and Jean Yohnke, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Amanda Theisen
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