

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AFFINION BENEFITS GROUP, INCORPORATED

AS OF

November 3, 2006

FLORIDA COMPANY CODE: 56031



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Florida Office of Insurance Regulation ("Office"), Market Investigations, pursuant to Section 636.206, Florida Statutes, a market conduct examination of Affinion Benefits Group, Inc. ("Affinion" or "Company") was performed. The scope of this examination was July 29, 2005 through July 31, 2006. The examination began on October 30, 2006 and ended on November 3, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes, regulates discount medical plan organizations, entities that, in exchange for fees, dues, charges, or other consideration, provide access for plan members to providers of medical services and the right to receive medical services from those providers at a discount.

The Company's records were examined at its offices located at 400 Duke Drive, Franklin, TN 37067.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

Affinion first applied for licensure in Florida in 2005 under the name Progeny Marketing Innovations, Inc. ("Progeny"). This foreign Company was licensed as a Discount Medical Plan Organization ("DMPO") in Florida on July 29, 2005, offering discount medical plans that had several types of services with discounts that varied depending upon the service. Progeny changed to its present name of Affinion Benefits Group, Inc. effective January 13, 2006.

Affinion offers a bundled discount medical plan called "Wellness Extras." Members have access to discounted vision, hearing, dental, chiropractic, and prescription drug benefits in a package that also includes out-of-state group accidental death and dismemberment coverage. The Company offers its entire plan for one monthly fee.

Chapter 636, Part II, Florida Statutes does not regulate pharmaceutical supplies, prescriptions, and medical information storage and retrieval services.

PROVIDER NETWORK AGREEMENT REVIEW

Affinion has written agreements with the following 3 provider networks:

- New Benefits, Inc. - Chiropractic, vision, and hearing benefits;

- Heartland Prescription Services & Medical Supplies - Pharmacy Services; and
- Dental Network of America, Inc. - Dental Program.

The Company reported its provider network supplies an up-to-date list of its contracted providers on a monthly basis. The Company provided the most recent monthly update of these listings for the examination scope period. The provider network agreements were reviewed for compliance with Section 636.214(3), Florida Statutes. The following violation was noted:

- 1 agreement with Dental Network of America, Inc. did not include the required list of services to be provided and the amount of discount or a fee schedule as required by Section 636.214(3)(a), Florida Statutes. The Company provided a list of the services and discounts later, however, it was not attached or part of the provider network agreement at the time of the examination.

Corrective Action: The Company should ensure that all provider network agreements contain the required provisions.

All listings of providers participating in the Wellness Extras Plan were up-to-date and made available through Affinion's website, www.wellnessextras.com. The providers can be found in the Provider Search area on the right-hand side of the Home Page. The website has a user-friendly searchable online provider directory that is updated monthly. These listings of providers on the website were up-to-date in all cases as required by Section 636.226, Florida Statutes.

PROVIDER AGREEMENT REVIEW

The Company does not contract directly with providers. As a result, no review for compliance was conducted.

MARKETER AGREEMENT REVIEW

During the scope of the examination, the Company did not utilize any marketers to market its plan in Florida.

ACTIVE MEMBERSHIP REVIEW

As of July 31, 2006, the Company reported 3,063 active memberships, 213 of which have an enrollment effective date on or after the Company's July 29, 2005 licensure date.

Enrollment and Fulfillment Procedures

Once a new member elects to join the plan and returns the enrollment form, the Company sends the new member various fulfillment documents including their discount cards. These fulfillment materials are sent before the new member is billed for enrollment and the initial payment is

received. The effective date is the date the enrollment form is received by the Company. It should be noted that the Company is no longer sending the enrollment package and fulfillment materials to Florida residents due to the Office's disapproval of the forms.

The unapproved forms were also reviewed and addressed in the Forms/Charges Review and the Advertising Review sections.

Memberships on or after July 29, 2005

A random sample of 50 files with effective dates of enrollment on or after July 29, 2005 was reviewed. In all cases, members were enrolled using forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes. At no time has the Company enrolled members on forms that were approved by the Office.

Corrective Action: The Company should ensure that all forms are filed with and approved by the Office prior to enrolling members. The Company should discontinue enrolling new members until it has proper forms approved. Once forms have been properly filed with and approved by the Office, existing members should be provided these forms upon renewal.

Memberships prior to July 29, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and July 29, 2005, the date Affinion Benefits Group, Inc. was permitted to operate as a licensed DMPO, it enrolled 383 members. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

Corrective Action: Members enrolled prior to July 29, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

FORMS/CHARGES REVIEW

Section 636.216(3), Florida Statutes, requires all forms to be filed with and approved by the Office prior to use. On December 12, 2005, the Office notified Affinion its filing, consisting of enrollment forms, member agreement, fulfillment materials and other various forms, was incomplete. Affinion never had forms filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Affinion advised that upon receiving notice its forms had not been properly filed with and approved by the Office, it immediately stopped marketing in Florida. However, the Company continued to accept new members in the DMPO from prior marketing efforts. The Company advised it would re-file its forms if it began marketing in Florida again. As of March 2006, Affinion had not re-filed forms of any kind.

Based on information received from Affinion in an unrelated investigation, the Company enrolled 437 members between April 1, 2005 and December 1, 2005, in a plan contract that bundled an out-of-state group accidental death and dismemberment product from Hartford Life

Insurance Company that was not filed with and approved in Florida prior to use as required by Rule 69O-203.205, Florida Administrative Code.

Corrective Action: The Company should ensure that all forms are filed with and approved by the Office prior to enrolling members. The Company should ensure that insurance products bundled with its DMPO plans have been filed with and approved by the Office prior to enrolling members.

CANCELLATION REVIEW

Between July 29, 2005 and July 31, 2006, the Company reported 245 member cancellations within the first 30 days after the effective date of enrollment. A random sample of 50 cancellations was reviewed to verify that refunds of periodic charges were made as required by Section 636.208(2), Florida Statutes. Two (2) members failed to receive a full refund. Once notified of this error, the Company refunded these members and all others that were found in its database who did not receive the appropriate refund. Affinion made these refunds on November 3, 2006, the final day of the onsite examination.

Corrective Action: The Company should ensure that members receive a full refund upon cancellation within the first 30 days after the effective date of their enrollment. The Company should also implement procedures to ensure that refunds are processed properly in the future.

COMPLAINT/GRIEVANCE REVIEW

The Company recorded 5 complaints during the examination period. A review of the complaints revealed no exceptions in the handling of these complaints. The Company maintains a formal log on which it records and documents all complaints.

The Company has policies and procedures in place that facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

WEBSITE REVIEW

As a condition of licensure, a discount medical plan organization is to establish an internet website page where it must maintain an up-to-date list of the names and addresses of its providers in order to comply with Section 636.226, Florida Statutes. Affinion's website, www.wellnessextras.com, contains various informative links to educate both active and potential consumers. General descriptions of Affinion's services and links to all of the provider directories for the Company's various discounted provider services are provided to plan members as required by Section 636.226, Florida Statutes. The provider listings were also up-to-date as required. The website contains all disclosures as required by Section 636.212, Florida Statutes.

The Company does not enroll new members via its website nor does it provide fulfillment materials to its members through the website.

ADVERTISING REVIEW

The Company provided 2 advertising pieces for review. The advertising pieces failed to contain the required disclosures as required by Section 636.212(1)-(5), Florida Statutes. The advertising pieces also provide an area where a consumer can sign-up and enroll in the Wellness Extras Plan. Therefore, these pieces act as enrollment forms and should be filed with and approved by the Office prior to use, as required by Section 636.216(3), Florida Statutes.

The Company does not currently advertise or market in Florida. After the initial filing attempt was returned to the Company incomplete, the Company immediately discontinued all marketing efforts. The Company also advised in a November 28, 2006 memo to the Office that these “mail pieces were inadvertently directed to Florida consumers during the time period covered by the examination, July 25, 2005 through July 31, 2006”.

Corrective Action: The Company should ensure that any advertisement that includes an application to enroll members in the discount medical plan should be filed with and approved by the Office prior to use. The Company should also ensure that all advertisements contain the required disclosures.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, based upon information from the examiner’s draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report.