October 4, 2010

An Open Letter to Agents Who Have Marketed Core Value Products through IBN and NCE

American Medical and Life Insurance Company's core strategy is to provide affordable insurance and welfare products to hard working Americans who do not have access them through their employers. Our business model is built upon earning the trust and inspiring the confidence of independent marketing organizations and their agents to deliver these products to the market. Our reputation with our distributors and agents rely on AMLI products and services that work as promised; and with consumers, in addition to service excellence, that these products are a fit for their needs. We want to work with only those agents who are interested in long term relationships with the consumer and above all else, pride themselves on their professionalism, knowledge, and being able to match consumer needs with the right product, even if that right product is not provided by AMLI. We know it involves a lot of work and considerable expense on your part to acquire a client and all of us at AMLI are committed to providing the highest level of service to you and your clients – we aim to "feed our eagles". While our goal is to exceed expectations, we know that there will be anomalies from time to time. Every complaint is of the utmost concern. Whether you have one client with us or one thousand, your business is important to us and we want the experience of your clients to be outstanding. The last thing we want is for a temporary service glitch to be the reason you lose a customer.

Recently there has been "chatter" in the market regarding negative experiences of some consumers who have purchased Core Value products through IBN and NCE. Any reports of poor customer service receive our immediate attention and in that vein, I'd like to update you on the current status of AMLI's customer service and claims payment performance. Also, while I have your ear, I want to share some thoughts about AMLI's future that you may find of interest.

Our Customer Service Model

AMLI has had some customer service issues in the past. But over the last 18 months we have invested millions of dollars into our infrastructure, built a proprietary, scalable and highly efficient service system, and developed performance-based contracts with claims and customer service providers whose experience and expertise allow them to deliver world class customer service to our members. This system offers us the flexibility to use multiple administrators and if there is a performance issue, pivot from one to another, practically overnight. Today, our service metrics have never been better. All claims and correspondence now flow through our central mailroom, where they are scanned, connected to a member record and turned into electronic claims; documents are converted into digital images and tagged to a member record. The member ID is matched to a customer record in our enrollment system and the claim is forwarded to the appropriate provider network for repricing. Once the claim has been repriced, it is sent electronically to the proper claims processor. More than 80% of the claims we receive are processed without human intervention; more complex claims are reviewed by experienced claims processors. The average time it takes from the original receipt of the claim to a check being cut and mailed is 5 days. Our standards are that 90% of all claims must be processed with 10 days, and fewer than 1% should take more than 30 days. As of today, across our entire customer base, AMLI has less than two days' worth of claims receipts on hand and less than one-third of a typical day's receipts over 30 days old. We are, at this point, outperforming our standards.

From a customer service perspective, we maintain a single 800 number through which all phone inquires flow. Based on the member ID, the member is automatically forwarded to the proper service provider. If the member

cannot be automatically routed using our Interactive Voice Response (IVR) system, there is back-up directory assistance to help direct the caller to the proper service center. As of today, less than 2% of all phone calls are abandoned before we can answer, and 80% of all calls are answered within 30 seconds or less.

Core Value/IBN Service Issues

We are very proud of the customer service engine we have built and the results we are seeing. Still, there have been issues associated specifically with some Core Value customers and I want to share with you what they were, what caused them, how we fixed them, and what you should do if you still have an unsatisfied client.

Some Core Value members have experienced processing delays, had claims paid in error, or had difficulty in reaching customer service, specifically over a six-week period from mid-June to the end of July. This can be attributed to two issues: 1) member identification; and 2) documentation of creditable coverage.

First, to the member identification issue: Our system depends on properly identifying the member at the outset of an interaction, be it a claim or telephone inquiry. If we cannot do this with a member ID, we can use the member's name and address. On occasion we have to defer to a manual processor who will look up the member in our enrollment database. Upon a deeper investigation of the issue, we noticed a relatively innocuous but critical oversight: the member ID that was on the Core Value membership card did not match the format of the member ID on the enrollment file. This meant that a disproportionate number of Core Value claims and customer service inquiries required manual review, slowing the process and resulting in a claims backlog. Members, particularly if they had prior coverage with us before IBN, ran the risk of being tagged to an old policy and thus had claims denied, were referred to the wrong service provider, or were told that they did not have coverage.

For evidence of prior coverage, AMLI has made every effort accommodate consumers that did not have a certificate of creditable coverage from the prior carrier. The outcome was that we were overrun with scads of paper in all different forms, which significantly slowed down the process. Given the labor-intensive nature of this type of review, our documents and correspondence began to backlog.

Because of the issues surrounding claims and the Certificates of Creditable Coverage, combined with an influx of inquiries from agents and consumers, our phone lines were pushed beyond their beyond their capacity. We experienced a 500% increase in volume and our phone responsiveness suffered. Compounding this access issue were intermittent, nationwide phone switch issues over the past week or so that had nothing to do with AMLI or its partners but did exacerbate the service problems we were experiencing.

Where Are We Today?

The good news is that the Member ID fix was a simple one between us and IBN, and we easily dispatched the remaining claims inventory. As of today, we have less than 200 IBN claims on hand and none is over three weeks old from date of receipt. In terms of phone responsiveness, thanks to some quick work by our claims and customer service provider, Hammerman and Gainer, we streamlined the phone queues, put more trained staff on the phones and are now answering calls in accordance with our performance standards. We continue to work down the last of the documentation/correspondence inventory and should be current within the next two weeks. Because any consumer who called to check on the status of a piece of documentation was able to refax directly to a customer service representative, most of the current unopened documents are in fact duplicates and have already been handled.

So What Should You Do If You Have A Customer With An Unresolved Issue?

The call volumes have dropped precipitously over the last 4 weeks indicating that we are seeing a normalization of the service experienced by our members. Still, one of the unintended consequences of addressing the claims inventory before the correspondence is that there could be recently processed claims that were improperly denied due for pre-ex issues, where the proof of prior coverage is in our unopened document queue. We expect

that any claims processed in error will be corrected automatically as we get through the last of the backlogged correspondence. But if you have a client who wants an immediate redress of one of these claims or for any other reason, please contact us through the published 800 number. Our customer service representatives are standing by, ready to assist. In the unlikely event that your client is not satisfied with the service, please contact IBN and we will work together to reach a satisfactory outcome.

We deeply regret any inconvenience this situation may have caused you or your clients. While the actual number of these sub-par service interactions was a relatively small fraction of our overall business (we have processed over 625,000 claims this year in our new operating environment) and was confined to a brief time frame, any customer or agent complaint is intolerable to us. We are committed to providing you and your clients with responsive, effective and efficient service.

I thank you for your patience and hope that this level of detail provides you with the proper context on the scope of the issues, AMLI's specific actions to address them, and our commitment to solving any lingering sources of dissatisfaction.

Other Developments at AMLI

Aside from the significant investments we have made in our operating structure, we have a number of other exciting developments to report:

- We are in the process of developing a whole new suite of products including Critical Illness, Accident Medical, Dental/Vision, Prescription Drug, and a set of health service/wellness programs that will be unique to the marketplace. All of these efforts are in varying stages of development and we expect the regulatory approval process to start shortly with most products available in many states by Q1 2011.

- For LM, we are working to expand our national footprint with additional states being targeted. We have a number of filings outstanding and we are working with state regulatory agencies to get these policies approved. We are also exploring variants to the LM product to cover states whose laws prohibit the traditional LM policy.

- We are developing a new form of Limited Medical with cleaner coverage definitions and more efficient pre –existing limitation provisions. We will also feature enhanced coverage for outpatient surgi-centers and high end diagnostic testing.

- We have developed a whole new verification process to protect the consumer and ultimately AMLI and the agent as well. After enrollment, AMLI collects the verification (recordings, hard copy or digital) and maintains it in our member database. We then send a letter to the member confirming their understanding of what they bought and allowing them to directly download a copy of their certificate (or request hard copy). By taking these steps we insure ourselves and any public official that between our focused efforts, we are taking demonstrative steps to be sure no consumer inadvertently purchases a product they don't understand or is not the right fit for them.

We have also taken some significant steps to help our partnered agents:

- We have built a streamlined and automated process for appointments, eliminating the need for lots of paper work.

- Being sensitive that AMLI is a B rated carrier, we have taken out a blanket E & O policy to cover any agent who sells AMLI products if there are exclusions in your own E & O because of our rating.

Finally, there have been a number of developments in the national front, particularly health care reform and carrier participation in the market. Of the former, we have carefully reviewed our policies and determined that by locking down our surgical fee schedule to 2010, we can be exempted from some of the minimum benefit requirements in the PPACA that would render our LM product obsolete. The upshot is that the benefit will be slightly richer going forward, but will no longer be HIPAA creditable - you cannot have it both ways – claim you are exempt from the provisions that don't suit you but compliant with the ones that do. But most importantly for your new clients we will continue to accept prior creditable coverage as an offset to our pre existing conditions policy provision. We will be communicating shortly and providing details and timing on what this means for you and your clients.

Regarding carrier participation in the market, despite some of the challenges we have faced as a company we remain resolute in our belief that consumers properly informed of their options and solicited by ethical, professional and knowledgeable insurance professionals will find our products and services of immense value. Disreputable marketing schemes have brought the industry intense regulatory scrutiny and have caused certain carriers to reconsider their participation in the market. We have responded to these challenges and hard lessons of our own with additional resources, investment and reengineering – effectively "doubling down" on our commitment to the market. We plan to be around for a long, long time by carefully keeping the needs of the end consumer squarely in our conscience, partnering with only like-minded distribution, being compliant to the letter of the law and working in a collaborative fashion with regulators. Unlike some of our competitors – this is all we do. Being anything less than the best in class is not an option.

Summary

Given the investments we have made to improve our service model and the proven results we see across our entire customer base, we are now providing industry-leading service. With some of the ongoing improvements and product innovations, AMLI is uniquely positioned to serve you and your clients now and well into the future.

Best Regards,

Michael F Murphy
Executive Vice President and Chief Operating Officer