

PUBLIC REPORT OF THE MARKET CONDUCT EXAMINATION

OF THE CLAIMS PRACTICES OF THE

SIERRA HEALTH AND LIFE INSURANCE COMPANY, INC.
NAIC # 71420 CDI # 0539-7

AS OF SEPTEMBER 30, 2002

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

MARKET CONDUCT DIVISION

FIELD CLAIMS BUREAU



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DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
300 South Spring Street
Los Angeles, CA 90013



July 25, 2003

The Honorable John Garamendi
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

Sierra Health and Life Insurance Company, Inc.

NAIC #71420

Hereinafter referred to as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site (www.insurance.ca.gov) pursuant to California Insurance Code section 12938.

SCOPE OF THE EXAMINATION

The examination covered the claims handling practices of the aforementioned Company during the period October 1, 2001 through September 30, 2002. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was conducted at the Los Angeles office of the California Department of Insurance.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer’s proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.



CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period October 1, 2001 through September 30, 2002, commonly referred to as the “review period”. The examiners reviewed 133 Sierra Health and Life Insurance Company, Inc. claim files. The examiners cited 51 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

Sierra Health and Life Insurance Company, Inc.			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
General			3
Medical	10,301	68	19
Dental	1,574	65	29
TOTALS	11,875	133	51



TABLE OF TOTAL CITATIONS		
Citation	Description	Sierra Health and Life Insurance Company, Inc.
CCR § 2695.7(b)(3)	The Company failed to include a statement in their claim denial that if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	31
CCR § 2695.5(a)	The Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry.	15
CCR § 2695.3(b)(2)	The Company failed to record in the file the date the Company received, date(s) the Company processed and date the Company transmitted every relevant document in the file.	2
CCR § 2695.6(a)	The Company failed to adopt and communicate to all its claim agents written standards for the prompt investigation and processing of claims.	1
CCR § 2695.6(b)	The Company failed to provide thorough and adequate training regarding these regulations to all its claim agents.	1
CCR § 2695.6(b)(4)	The Company failed to maintain a copy of the certification required by CCR § 2695.6(b)(1), (2) or (3) at the principal place of business.	1
Total Citations		51

**SUMMARY OF CRITICISMS, INSURER
COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries discovered within the scope of this report.

1. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance. In 31 instances, the Company failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges these acts are in violation of CCR § 2695.7(b)(3).

Summary of Company Response: The Company acknowledges the failure to include the required statement in denials and will assist the Claim Administrator in developing standards for written claim denial notices in accordance with the cited CCR section. The Company has instructed the Claim administrator to include the required language in denial notices effective April 1, 2003 and will monitor files for compliance. Appropriate training and certification as indicated in items 4, 5 and 6 below should also help to ensure compliance in this area.

Lastly, the Company has drafted a document for the Claim Administrator's signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.

2. The Company failed to respond a Department of Insurance inquiry within twenty-one calendar days of the inquiry. In 15 instances, the Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry. During the file review the examiner's referral questions were sent to the Claim Administrator and the Company then reviewed these in turn. The time expended in this process is the main reason for the delay. The Department alleges these acts are in violation of CCR § 2695.5(a).

Summary of Company Response: The Company acknowledges the delays in responding to the Department. Appropriate training and certification as indicated in items 4, 5 and 6 below should help to ensure compliance in this area.

Lastly, the Company has drafted a document for the Claim Administrator's signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.



3. The Company failed to record claim data in the file. In two instances, the Company failed to record the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file. The Department alleges these acts are in violation of CCR § 2695.3(b)(2).

Summary of Company Response: The Company has instructed the Claim Administrator to date stamp all relevant documents especially the initial receipt date. Appropriate training and certification as indicated in items 4, 5 and 6 below should also help to ensure compliance in this area.

Lastly, the Company has drafted a document for the Claim Administrator’s signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.

4 The Company failed to adopt and communicate to all its claims agents written standards for the prompt investigation and processing of claims. The Company failed to adopt and communicate to all its claims agents written standards for the prompt investigation and processing of claims. The Department alleges this act is in violation of CCR § 2695.6(a)

Summary of Company Response: The Company has acknowledged this violation and will implement compliance by including a copy of California Fair Claims Settlement Practices Regulations in the Company’s and Claim Administrator’s claim procedure manuals.

Also, the Company has drafted a document for the Claim Administrator’s signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.

5. The Company failed to provide thorough and adequate training regarding these regulations to all their claim agents. The Company failed to provide thorough and adequate training to all its claim agents. The Department alleges this act is a violation of CCR § 2695.6(b).

Summary of Company Response: The Company has acknowledged this violation and advised the examiner that the Claim Administrator’s adjusters will be trained prior to the conclusion of the examination process.

Also, the Company has drafted a document for the Claim Administrator’s signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.



6. **The Company failed to maintain a copy of the certification required by CCR § 2695.6(b)(1), (2) or (3) at the principal place of business.** The company failed to maintain a copy of the certification required by CCR § 2695.6(b)(1),(2) or (3) at the principal place of business. The Department alleges this act is a violation of CCR § 2695.6(b)(4)

Summary of Company Response: The Company has acknowledged this violation and upon completion of the required training written certification will be provided to the Department. Copies of certificates will be maintained by the Company and yearly training will be conducted in accordance with the cited CCR regulation.

Lastly, the Company has drafted a document for the Claim Administrator's signature indicating its acceptance of California claims handling guidelines and a corrective action plan as set forth therein. The Company will report to the Department as regards the finalization of this document.