

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938,
THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE
MARKET CONDUCT EXAMINATION OF THE
CLAIMS HANDLING, RATING, AND UNDERWRITING PRACTICES OF**

**BCS INSURANCE COMPANY
NAIC # 38245 CDI # 2399-4**

AS OF OCTOBER 31, 2011

ADOPTED DECEMBER 24, 2013

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION**

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

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DEPARTMENT OF INSURANCE

Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814



December 24, 2013

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

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

BCS Insurance Company
NAIC # 38245
Group NAIC # 0023

Hereinafter, the Company listed above also will be referred to as BCSI or the Company.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code section 12938(b)(1).

FOREWORD

This limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's Group Accident and Health line of business during the period October 16, 2010 through October 15, 2011. The limited examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

This report pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

The report does not present a comprehensive overview of the subject insurer's practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer's proposals for correcting the deficiencies. When identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company's responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of specified guidelines, procedures, and forms adopted by the Company for use in California.
2. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI during the period November 1, 2010 through October 31, 2011; and a review of reports on the previous CDI market conduct examinations of this Company. There were no prior CDI enforcement actions against the Company

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, California.

EXECUTIVE SUMMARY

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request. There was no review of underwriting or claims files during this examination.

The primary findings resulting in alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al., that were identified in the course of the examination include the use of claims forms by BCSI and its Third Party Administrators (TPA's) that do not exhibit the exact fraud language as required by statute. Details of the findings are provided in the Summary of Examination Results section of this report.

BCSI Insurance Company reported \$10,794,351 in written premiums on group accident and health insurance coverage in California during 2010. The Company closed 29,515 group accident and health claims during 2010.

**RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER
COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND
PRIOR ENFORCEMENT ACTIONS**

The market analysis did not identify any specific issues of concern within the scope of this report.

Within the scope of this report, the Company was the subject of 16 California consumer complaints and inquiries closed from November 1, 2010 through October 31, 2011, in regard to the line of business reviewed in this examination. No complaints were justified.

There were no specific areas of concern identified in the complaint review.

The previous examination was completed by the Field Claims Bureau and reviewed the period from November 1, 2006 through October 31, 2007. The areas of non-compliance included the Company's failure to generate a letter advising the consumer of claim closure for lack of documentation, claim acknowledgement cards were not consistently maintained in the claim files, the Company's explanation of benefits did not fully explain how the payment calculation was made, the Company failed to promptly investigate and process claims, and the Company's failure to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. The aforementioned violations were not noted during this exam.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company’s responses, within the scope of this report, to the Department’s data request and the alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695 et al., that resulted from the review of that data. All “NO” answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a “NO” answer is provided in the Cited Statutes and Regulations table.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Certification by a company principal of claims training – CCR §2695.6(b) [CIC §790.03(h)(3)]	YES	--
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	--
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30 through 2698.43 [CIC §790.03(h)(3)]	YES	--
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	NO	1
Acknowledgement of receipt of claim from provider within 15 days and in same form as received -- CIC §10133.66(c) [CIC §790.03(h)(2)]	YES	--
Compliance with requirements of HIPAA regulations on medical authorizations forms – CIC §791.06 [CIC §790.03(h)(3)]	YES	--
Compliance with requirements to pay interest on uncontested claims paid after 30 working days – CIC §10123.13(b) [CIC §790.03(h)(5)]	N/A	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with requirements to provide a clear EOB – CCR §2695.11(b) [CIC §790.03(h)(3)]	YES	--
Compliance with all requirements of – CIC §10123.13(a) [CIC §790.03(h)(3), and/or (4), and/or (13)]	YES	--
Provider contracts contain required dispute resolution provisions – CIC §10123.137(a) [CIC §790.03(h)(3)]	YES	--
Non-contracting provider accessible dispute mechanism – CIC §10123.137(b) [CIC §790.03(h)(3)]	YES	--
Compliance with dispute mechanism report submission – CIC §10123.137(d) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements for providing information on Independent Medical Reviews – CIC §10169.(i) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements for time limits for response to requests for pre-authorization of non-emergency services – CCR §2695.11(e) [CIC §790.03(h)(3)]	N/A	--
Compliance with requirements for no pre-authorization of emergency services – CCR §2695.11(f) [CIC §790.03(h)(3)]	YES	--
Compliance with EOB requirements when emergency services are contested or denied -- CIC §10123.147(a) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to pay interest on emergency services not paid within 30 working days -- CIC §10123.147(b) [CIC §790.03(h)(5)]	YES	--

*N/A – Not applicable; the Company indicates that this law is not relevant to its particular claims handling, rating or underwriting practice.

CITED STATUTES AND REGULATIONS	
Citation	Description
CIC § 1879.2(a) [CIC § 790.03(h)(3)]	Any insurer that prints, reproduces, or furnishes a form to any person upon which that person gives notice to the insurer of a claim under any contract of insurance or makes a claim against the insurer for any loss, damage, liability or other covered event shall cause to be printed or displayed, in comparative prominence the exact fraud language as required by this section.

***DESCRIPTONS OF APPLICABLE
UNFAIR CLAIMS SETTLEMENT PRACTICES**

CIC §790.03(h)(3)	The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies.
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SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the practices, within the scope of this report, that were alleged to be non-compliant during the course of this limited examination. 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 of the Department's allegations of non-compliance, the Company was required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Company is obligated to ensure that compliance is achieved and maintained.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company was asked if it intends to take appropriate corrective action in all jurisdictions where applicable. The Company indicated that it is in the process of conducting an audit of all fraud warning language in all jurisdictions; and will implement any necessary corrective actions in all jurisdictions

Within the scope of this report, there were no claims recoveries or return premium as a result of the issues described in this report.

GROUP ACCIDENT AND HEALTH

1. The standard claim forms utilized by BCSI and its Third Party Administrators in the settlement of claims do not exhibit the exact fraud language as required by CIC § 1879.2(a). The Department alleges this act is an unfair practice under CIC §790.03(h)(3).

Summary of Company Response: BCSI has indicated that the claims forms are being updated to reflect the exact fraud language stated in CIC § 1879.2(a). The anticipated completion date of the claims forms update(s) is September 16, 2013.