

**[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 PRACTICES OF**

**PACIFIC COMPENSATION INSURANCE COMPANY
NAIC # 11555 CDI # 4768-8**

AS OF JANUARY 31, 2014

ADOPTED SEPTEMBER 29, 2014

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD CLAIMS BUREAU**

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

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



September 29, 2014

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 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 handling practices and procedures in California of:

**Pacific Compensation Insurance Company
NAIC # 11555**

Group NAIC # 0501

Hereinafter, the Company listed above also will be referred to as PCIC 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

The examination covered the claims handling practices of the aforementioned Company on Workers' Compensation claims closed during the period from February 1, 2013 through January 31, 2014, and claims open as of January 31, 2014. The 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 contains all alleged violations of laws that were identified during the course of the examination.

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 a summary of pertinent information about the line 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 a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery 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 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 the California Insurance Code, Fair Claims Settlement Practices Regulations, and other related statutes, regulations and case law used by the Company to ensure fair claims settlement practices.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of individual claims files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about these Company closed by the CDI during the period February 1, 2013 through January 31, 2014; and a review of previous CDI market conduct claims examination reports on this Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claims files was conducted at the offices of the Company in Agoura Hills, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Workers' Compensation claims reviewed were closed from February 1, 2013 through January 31, 2014, and claims open as of January 31, 2014, referred to as the "review period". The examiners randomly selected 70 claims files for examination. The examiners cited two alleged claims handling violations of the California Insurance Code and other specified codes from this sample file review.

Findings of this examination included the failure to issue payment within 45 working days after receipt of each separate itemization of medical services provided; and failure to pay interest and penalty on the delayed payment.

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

Market analysis did not identify any specific issues of concern.

There was no specific area of concern identified in the complaint review.

The previous claims examination reviewed a period from March 1, 2004 through February 28, 2005. There was no specific area of concern identified in the previous claims examination.

DETAILS OF THE CURRENT EXAMINATION

Further details with respect to the examination and alleged violations are provided in the following tables and summaries:

PCIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED CITATIONS
Workers' Compensation/Indemnity	159	8	0
Workers' Compensation/Medical Only	650	33	2
Workers' Compensation/Denied	189	9	0
Workers' Compensation/Open	516	20	0
TOTALS	1514	70	2

TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	Number of Alleged Citations
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear.	2
Total Number of Citations		2

TABLE OF CITATIONS BY LINE OF BUSINESS

<p align="center">WORKERS' COMPENSATION 2012 Written Premium: \$19,373,635</p> <p>AMOUNT OF RECOVERIES \$ 194.47</p>	<p align="center">NUMBER OF CITATIONS</p>
<p>CIC §790.03(h)(5)</p>	<p align="center">2</p>
<p align="center">TOTAL</p>	<p align="center">2</p>

SUMMARY OF EXAMINATION RESULTS

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.

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. The Company is obligated to ensure that compliance is achieved.

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 intends to implement corrective actions in all jurisdictions

Money recovered within the scope of this report was \$21.13 as described in section number 2 below. Following the findings of the examination, a closed claims survey as described in section 2 below was conducted by the Companies resulting in additional payments of \$173.34. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$194.47.

WORKERS' COMPENSATION

1. **In one instance, the Company failed to effectuate prompt, fair and equitable settlement of claims in which liability had become reasonably clear.** The Company failed to pay for medical services within 45 working days. The Department alleges this act is in violation of Labor Code §4603.2(b)(1) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees that a medical bill was not processed timely. The Company indicates that it changed its medical reviewer vendor and during this process, some invoices may have been reviewed and/or paid late. The Company has developed an interim process to allow its supervisors to identify issues, provide feedback for improvement, and ensure that medical payments are issued promptly. The Company reinforced this requirement with its staff for compliance.

2. In one instance, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. In one instance, the Company failed calculate and include in a delayed payment, an increase by 15 percent, together with interest at the same rate as judgments in civil actions retroactive to the date of receipt of the itemization. The Department alleges this act is in violation of Labor Code §4603.2(b)(1) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees that a medical bill which was not processed timely should have been paid interest and penalty under Labor Code §4603.2(b)(1). As a result of the examination, the Company issued a supplemental payment on this claim for \$21.13 for the penalty and interest. The Company has also enhanced its process to ensure that delayed medical payments include a penalty amount and self-imposed interest. Further, the Company completed a survey of delayed medical payments for the window period June 16, 2013-December 31, 2013. The Company reported to the Department on May 21, 2014 that additional payments for interest and penalty were paid to pertinent claimants in the amount of \$173.34.