

**[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**

**PHARMACISTS MUTUAL INSURANCE COMPANY  
NAIC # 13714 CDI # 5047-6**

**AS OF DECEMBER 31, 2015**

**ADOPTED JUNE 29, 2016**

**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.**

## TABLE OF CONTENTS

<b>SALUTATION .....</b>	<b>1</b>
<b>FOREWORD.....</b>	<b>2</b>
<b>SCOPE OF THE EXAMINATION.....</b>	<b>3</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS .....</b>	<b>5</b>
<b>DETAILS OF THE CURRENT EXAMINATION .....</b>	<b>6</b>
<b>SUMMARY OF EXAMINATION RESULTS .....</b>	<b>9</b>

**DEPARTMENT OF INSURANCE**

Market Conduct Division  
300 Capitol Mall  
Sacramento, CA 95814



June 29, 2016

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:

**Pharmacists Mutual Insurance Company**  
**NAIC # 13714**  
**Group NAIC # 0775**

Hereinafter, the Company listed above also will be referred to as PMIC 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](http://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 Workers' Compensation business during the period January 1, 2015 through December 31, 2015. 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 2695.1 et seq. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695.1 et seq.

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 January 1, 2015 through December 31, 2015; a review of reports on the previous CDI market conduct examination of this Company; and a review of prior CDI enforcement actions.

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

There were no alleged violations or findings of non-compliance within the scope of this report.

Pharmacists Mutual Insurance Company reported \$3,767,128 in written premiums on Workers' Compensation insurance coverage in California during 2015. The Company closed 44 Workers' Compensation claims during 2015.

**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.

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

No prior market conduct examinations have been conducted upon this Company by the Department.

No enforcement action related to underwriting or claims handling practices has been taken against the Company by the Department.

## 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 2695.1 et seq. 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.

<b>AREAS OF REVIEW</b>		
<b>SPECIFIC ISSUE REVIEWED</b>	<b>INDICATION OF COMPLIANCE (YES/NO)</b>	<b>SUMMARY OF RESULTS ITEM NUMBER</b>
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 CIC §790.03(h)(3)	YES	--
Compliance with disclosure to employee of penalties for not reporting earned income – CIC §1871.8 [CIC §790.03(h)(3)]	YES	--
Compliance with requirements of LC §§4650(d) and/or 4603.2(b)(1) to pay self-imposed interest and penalty – CIC §790.03(h)(5)	YES	--
Compliance with requirements of LC §4603.2(b)(1) to pay medical bills within 45 working days – CIC §790.03(h)(5)	YES	--
Compliance with requirements of LC §4603.2(b)(1) to notify provider within 30 working days that bills are contested or denied – CIC §790.03(h)(5)	YES	--
Compliance with requirements of LC §4610 to include procedures for required reviews in Utilization Review – CIC §790.03(h)(3)	YES	--

<b>AREAS OF REVIEW</b>		
<b>SPECIFIC ISSUE REVIEWED</b>	<b>INDICATION OF COMPLIANCE (YES/NO)</b>	<b>SUMMARY OF RESULTS ITEM NUMBER</b>
Compliance with requirements of LC §5402(b) to accept or reject claims within 90 days – CIC §790.03(h)(4)	YES	--
Compliance with requirements of CCR §9812(a)(1) to send the Notice of Temporary Disability Payment within 14 days – CIC §790.03(h)(5)	YES	--
Compliance with requirements of CCR §9812(a)(1) to advise employee of the details of the indemnity payment – CIC §790.03(h)(2)	YES	--
Compliance with requirements of CCR §9812(a)(2) to send Notice of Delay within 14 days – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(a)(2) to provide required information in the Notice of Delay – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(a)(2) to send additional Notices of Delay within the time frame specified in the original Notice of Delay – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(a)(2) to notify the employee in additional Notices of Delay of the required information to make a determination – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(a)(3)(A) to send the Temporary Disability (TD) denial within 14 days – CIC §790.03(h)(4)	YES	--
Compliance with requirements of CCR §9812(a)(3)(A) to advise the employee of the reasons for the TD denial and of the employees remedies – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(b) to send the Notice of Resumed Benefit Payments within 14 days – CIC §790.03(h)(5)	YES	--

<b>AREAS OF REVIEW</b>		
<b>SPECIFIC ISSUE REVIEWED</b>	<b>INDICATION OF COMPLIANCE (YES/NO)</b>	<b>SUMMARY OF RESULTS ITEM NUMBER</b>
Compliance with requirements of CCR §9812(b) to advise the employee of the required information in the Notice of Resumed Benefit Payments – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(c) to advise the employee of changes in the benefit payment and the reason for the changes – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(d) when benefits are ending, to advise the employee of the required details of all compensation paid – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(g) to include mandatory language in all Permanent Disability (PD) Notices – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(g) to advise the employee within 14 days that a TD is now a PD – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(g) to advise the employee of the required information when a TD becomes a PD – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(g) to advise the employee of the QME process – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(i) to send the Denial Notice within 14 days – CIC §790.03(h)(3)	YES	--
Compliance with requirements of CCR §9812(i) to advise the employee of the reasons for the denial and of the remedies available – CIC §790.03(h)(3)	YES	--

## **SUMMARY OF EXAMINATION RESULTS**

There were no alleged violations or criticisms of the Company's practices made within the scope of this report. There were no recoveries discovered within the scope of this report.