

**[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**

**REPUBLIC INDEMNITY COMPANY OF AMERICA
NAIC # 22179 CDI # 2108-9**

**REPUBLIC INDEMNITY COMPANY OF CALIFORNIA
NAIC # 43753 CDI # 2928-9**

AS OF APRIL 30, 2015

ADOPTED DECEMBER 16, 2015

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



December 16, 2015

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:

**Republic Indemnity Company of America
NAIC # 22179**

**Republic Indemnity Company of California
NAIC # 43753**

Group NAIC # 0084

Hereinafter, the Companies listed above also will be referred to as RICA, RICC or the Company or, collectively, as the Companies.

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 Companies on Workers' Compensation claims closed during the period from May 1, 2014 through April 30, 2015, and claims open as of April 30, 2015. The examination was made to discover, in general, if these and other operating procedures of the Companies conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurers' 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 insurers' 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. While this report contains violations of law that were cited in this report by the examiners, additional violations of CIC 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

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 Companies' 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 Companies for use in California including any documentation maintained by the Companies 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 Companies 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 Companies closed by the CDI during the review period; a review of previous CDI market conduct claims examination reports on these Companies; and a review of prior CDI enforcement actions.

The review of the sample of individual claim files was conducted at the offices of the California Department of Insurance in Los Angeles, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Workers' Compensation claims reviewed were closed from May 1, 2014 through April 30, 2015, referred to as the "review period". The open Workers' Compensation claims reviewed were open as of April 30, 2015. The examiners randomly selected 29 RICA claim files and 41 RICC claim files for examination. The examiners cited one alleged claims handling violation of the California Insurance Code and other specified codes from this sample file review.

Finding of this examination was a failure to include statutory self-imposed interest due to delayed processing of medical bills.

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

There was no specific area of concern identified in the review of the market analysis and consumer complaint information regarding these companies.

The previous claims examination reviewed a period from March 1, 2005 through February 28, 2006. The most significant noncompliance issue identified in the previous examination report was the Companies' failure to calculate and pay benefits in a timely manner. This issue was identified as problematic in the current examination.

DETAILS OF THE CURRENT EXAMINATION

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

RICA SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Workers Compensation / Indemnity	548	5	0
Workers Compensation / Medical Only	1306	11	1
Workers Compensation / Denied	333	3	0
Workers Compensation / CWP	251	2	0
Workers Compensation Indemnity [Open]	799	7	0
Workers Compensation / Medical Only [Open]	138	1	0
TOTALS	3375	29	1

RICC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Workers Compensation / Indemnity	646	6	0
Workers Compensation / Medical Only	2,201	19	0
Workers Compensation / Denied	275	2	0
Workers Compensation / CWP	291	2	0
Workers Compensation /Indemnity [Open]	1,276	10	0
Workers Compensation / Medical Only [Open]	258	2	0
TOTALS	4,947	41	0

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	RICA Number of Alleged Violations	RICC Number of Alleged Violations
*CIC §790.03(h)(5)	The Company failed to include statutory self-imposed penalty and interest due to delayed processing of medical bills.	1	0
Total Number of Alleged Violations		1	0

TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

REPUBLIC INDEMNITY COMPANY OF AMERICA WORKERS' COMPENSATION 2014 Written Premium: \$79,843,165	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$29.86	
CIC §790.03(h)(5)	1
SUBTOTAL	1

REPUBLIC INDEMNITY COMPANY OF CALIFORNIA WORKERS' COMPENSATION 2014 Written Premium: \$139,834,753	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES None	
SUBTOTAL	0

TOTAL	1
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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 \$29.86 as described in section number 1 below.

WORKERS' COMPENSATION

1. **In one instance, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.** The Company failed to include statutory self-imposed penalty and interest when it delayed payment of a medical invoice. The Department alleges this act is in violation of Labor Code (LC) §§4603.2(b)(2) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company states that in one instance, the medical report and medical billing were received separately. When the provider sent a second request for payment, the medical bill was not promptly paid within 45 days. The Company agrees interest and penalty was owed and it has issued an additional payment of \$29.86.

The Company takes great effort in the design of its systems and workflow to expedite the payment of medical bills. The Company conducts routine training with staff to identify and respond quickly to issues. On September 16, 2015, senior claims managers from the Company's three (3) California offices met to discuss the result of the examination. The Company will conduct additional claims training in the processing and payment of bills. To eliminate errors, specific attention will be given to the issue of matching invoices and medical reports on the same claim.