

**[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**

**BANKERS INSURANCE COMPANY
NAIC # 33162 CDI # 3217-7**

AS OF DECEMBER 31, 2014

ADOPTED AUGUST 28, 2015

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

SALUTATION	1
FOREWORD.....	2
SCOPE OF THE EXAMINATION.....	3
EXECUTIVE SUMMARY	4
RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS	5
DETAILS OF THE CURRENT EXAMINATION.....	6
SUMMARY OF EXAMINATION RESULTS	8

DEPARTMENT OF INSURANCE

Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814



August 28, 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 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:

Bankers Insurance Company
NAIC # 33162
Group NAIC # 0689

Hereinafter, the Company listed above also will be referred to as BIC 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 Surety business during the period January 1, 2014 through December 31, 2014. 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, the 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, 2014 through December 31, 2014; and a review of reports on the previous CDI market conduct examination of this 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 findings resulting in an alleged violation of Section 790.03 and the California Insurance Code, Section 1879.2(a) included the Company's failure to include the correct California Fraud warning language on all claim documents. Details of the findings are provided in the Summary of Examination Results section of this report.

Bankers Insurance Company reported \$7,093,418 in written premiums on Surety coverage in California during 2014. The Company closed 5,281 Surety claims during the calendar year 2014.

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

Within the scope of this report, the Company was the subject of two California consumer complaints and inquiries closed from January 1, 2014 through December 31, 2015, in regard to the line of business reviewed in this examination. Neither was determined to be justified.

The previous examination reviewed the period of August 1, 2009 through July 31, 2010. The most significant noncompliance issue identified in the previous examination report and within the scope of this report was the Company's failure to include the California fraud warning on the proof of claim form. The examiner followed up with company management on this issue during the course of this examination. This issue was identified as problematic in the current examination.

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.

SURETY 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)]	N/A	-
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 §§2698.30-2698.43 [CIC §790.03(h)(3)]	Yes	-
Compliance with conducting business in own name – CIC §880 [CIC §790.03(h)(3)]	Yes	-
Compliance with use of required fraud language – CIC §1879.2(a) [CIC §790.03(h)(3)]	No	1
Acknowledgement of notice of claim – CCR §2695.5(e)(1) [CIC §790.03(h)(2)] and/or CCR §2695.10(d) [CIC §790.03(h)(3)]	Yes	-
Compliance with requirement to reference a CDI review on denial letters – CCR §2695.10(b) [CIC §790.03(h)(3)]	Yes	-
Compliance with claims payment within 15 days -- CCR §2695.10(f)(1) [CIC §790.03(h)(4)]	Yes	-

SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with claims denial in writing – CCR §2695.10(b) [CIC §790.03(h)(3)]	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 *[CIC §790.03(h)(3)]	The Company failed to include the California fraud warning on insurance forms. [The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.]

***DESCRIPTORS 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.

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.

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.

The Company indicates that this practice is not applicable in other 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.

SURETY

1. The Company acknowledged it had not previously included the required California Fraud Language on the Proof of Loss forms. The Department alleges this act is in violation of CIC §1879.2(a) and is an unfair practice under CIC §790.03(h)(3).

Summary of Company Response: The Company has created a new template to be utilized as of April 29, 2015. The Company staff has been instructed to use the new form on a go forward basis and a copy of the form has been provided to the Department for its review.