PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

AGRI GENERAL INSURANCE COMPANY
NAIC # 42757 CDI # 3279-7

AS OF SEPTEMBER 30, 2000

STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

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CALIFORNIA DEPARTMENT OF INSURANCE
Consumer Services and Market Conduct Branch
Market Conduct Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013

October 24, 2001

The Honorable Harry W. Low
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

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 practices and procedures in California of:

Agri General Insurance Company

NAIC #42757

Hereinafter referred to as AGIC or the Company.

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

SCOPE OF THE EXAMINATION

The examination covered the claims-handling practices of the aforementioned Company during the period October 1, 1999 through September 30, 2000. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC) and the California Code of Regulations (CCR) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

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 fair claims settlement practices.

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

3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the Company's claims office in Fresno, California.

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 only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

The alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The Market Conduct examiner reviewed files drawn from the category of Closed Claims for the period October 1, 1999 through September 30, 2000, commonly referred to as the "review period". The examiner reviewed 91 Agri General Insurance Company crop insurance (CI) claim files. The Market Conduct examiner cited 73 claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03.

Agri General Insurance Company			
CATEGORY	**CLAIMS FOR REVIEW PERIOD**	**REVIEWED**	**CITATIONS**
CI - Multi Peril Crop	167	84	68
CI - Crop Hail	7	7	5
TOTALS	174	91	73

TABLE OF TOTAL CITATIONS		
Citation	**Description**	**Agri General Insurance Company**
CCR §2695.5(e)(3)	The company failed to begin investigation of the claim within fifteen calendar days.	20
CCR §2695.3a	The company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	18
CCR §2695.5(e)(1)	The company failed to acknowledge notice of claim within fifteen calendar days.	12
CCR §2695.5(e)(2)	The company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days.	12
CCR §2695.3(b)(2)	The company failed to record in the file the date the company received, date(s) the company processed and date the company transmitted or mailed every relevant document in the file.	4
CCR §2695.7(b)(3)	Failure to include the claimant's right to a CDI review in denial.	3
CCR §2695.7 (c)(1)	The company failed to provide written notice of the need for additional time every thirty calendar days.	3
CCR §2695.5(d)	The company's claims agent failed to immediately transmit notice of claim to the insurer.	1
Total Citations		73

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES

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(s) that has or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries resulting from the criticisms cited in this report.

1. <u>The Company failed to begin investigation of the claim within fifteen calendar days:</u> In 20 instances the Company failed to begin investigation of the claim within fifteen calendar days. The Department alleges that these acts are violations of CCR §2695.5(e)(3).

<u>Company Response:</u> The Company acknowledges these deficiencies and has implemented new procedures to ensure compliance.

The Company states: "The Company has since implemented procedures where by contact with the insured is made by telephone in a claims staging process, within the fifteen calendar day requirement. The claims are then assigned to independent contract adjusters for processing. The Company will document the file the date the investigation began."

2. <u>The Company failed to properly document claim files:</u> In 18 instances the Company's file failed to contain all documents, notes and work papers. The Department alleges that these acts are in violation of CCR §2695.3(a).

<u>Company Response:</u> The Company acknowledges these deficiencies and has implemented new procedures to ensure compliance.

The Company states: "The Company has begun requiring documentation concerning claims worked be submitted with the adjusters weekly expense vouchers. The Company does engage in a program of continuous training of all claims handling personnel."

3. <u>The Company failed to acknowledge notice of claim within fifteen calendar days:</u> In 12 instances the Company failed to acknowledge notice of claim within fifteen calendar days. The Department alleges that these acts are in violation of CCR §2695.5(e)(1).

Company Response: The Company has acknowledged these errors and has stated that in the majority of the instances cited the batch runs which document that acknowledgment letters were sent were unknowingly deleted from the Company's computer system.

The Company states: "When the notice of claim form is received at the division office, office personnel key the claim into the computer system. After all of the claims are keyed into the system for the day, the claims are "batched". Part of this batching process includes the system generating an acknowledgement letter to the insured. A form letter for this acknowledgment is stored in the computer system. This letter is automatically printed and mailed on company letterhead stationary with the insured's name, address, and policy number also included in the letter. In 1999, the date was printed via computer and mailed from the Iowa Corporate office. This portion of the procedure has been discontinued and dates are attached locally at time of mailing. Copies of the letters and of the batch run are attached for your review. This Company approved procedure of insured notification is compliant with insured notification requirements in all states. In 1999, an April batch run date, which contained copies of the majority of instances in this criticism, was unknowingly deleted from our computer system. To fulfill the California additional requirements of having an acknowledgement letter in the claim file, the Company from this point in time going forward will place a copy of the printed letter in the claim file. The remaining instances that occurred in 1999 were due to personnel only batching the letters every two weeks instead of weekly as required by the company. This issue has been corrected."

4. The Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days: In 12 instances the Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days. The Department alleges that these acts are in violation of CCR §2695.5(e)(2).

Company Response: The Company has acknowledged these errors and has stated that in the majority of the instances cited the batch runs which document that claims instructions were sent were unknowingly deleted from the Company's computer system.

The Company states: "The instructions are sent as part of the acknowledgement letter referred to in item 3 above. In 1999, an April batch run date, which contained copies of the majority of instances in this criticism, was unknowingly deleted from our computer system. To fulfill the California additional requirements of having an acknowledgement letter in the claim file, the Company from this point in time and going forward will place a copy of the printed letter in the claim file. The remaining instances that occurred in 1999 were due to personnel only batching letters every two weeks instead of weekly as required by the company. This issue has been corrected."

5. <u>The Company failed to record claim data in the file:</u> In four instances the Company failed to record the date the Company received, date(s) the Company processed and date the company transmitted or mailed every relevant document in the file. The Department alleges that these acts are in violation of CCR §2695.3(b)(2).

<u>Company Response:</u> The Company acknowledges these errors and has counseled its staff to properly document all claim files.

The Company states: "The Company will continue training personnel in the proper documentation of claim files. The use of the computer system for recording and filing of documents rather than hard copies is being implemented as programs are developed."

6. <u>The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance:</u> In three instances the Company failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges that these acts are in violation of CCR § 2695.7(b)(3).

<u>Company Response:</u> The Company acknowledges these deficiencies and has implemented procedures to ensure compliance.

The Company states: "The Company has acknowledged that their denial letters have not been in compliance with CCR § 2695.7(b)(3). The Company has agree to include the following language in all denial/reject letters beginning March 16, 2001: If you believe that your claim has been wrongfully denied or rejected, you may have the matter reviewed by the California Department of Insurance. Claim Services Bureau, 300 South Spring St., Los Angeles, CA 90013. The Claims Services Bureau phone number is 1-800-927-4357."

7. <u>The Company failed to provide written notice of the need for additional time every thirty calendar days:</u> In three instances the Company failed to provide written notice of the need for additional time every thirty calendar days. The Department alleges that these acts are in violation of CCR §2695.7(c)(1).

<u>Company Response:</u> The Company acknowledges the errors and has counseled its staff to provide written notice of the need for additional time every thirty calendar days.

The Company states: " As of April 2001, the company has reviewed with all claims handling personnel the requirement of providing written notice of the need for additional time every thirty calendar days as required by CCR § 2695.7(c)(1)."

8. <u>The Company's claims agent failed to immediately transmit notice of claim to the insurer:</u> In one instance the Company's claims agent failed to immediately transmit notice of claim to the insurer. The Department alleges that this act is a violation of CCR §2695.5(d).

<u>Company Response:</u> The Company acknowledges the error and will continue to train agents in the proper procedures for reporting notices of claim to the Company.

The Company states: "As documented in this instance's referral, the insurance agent failed to forward the claim notice to the company in a timely manner. This agent had received as well as all insurance agents, training in the proper procedures for reporting notices of claim to the company. This training is on going and the procedures are included in the annual training materials supplied to the insurance agents. These training programs have been in effect before this examination occurred."