

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

AMERICAN REPUBLIC INSURANCE COMPANY
NAIC # 60836 CDI # 1702-0

AS OF NOVEMBER 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



August 23, 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:

American Republic Insurance Company

NAIC #60836

Hereinafter referred to as 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 November 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), 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 California Department of Insurance in San Francisco, 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 examiners reviewed files drawn from the category of Closed Claims for the period October 1, 1999 through November 30, 2000, commonly referred to as the “review period”. The examiners reviewed 93 American Republic Insurance Company life insurance (LI) and disability insurance (DI) claim files. The Market Conduct examiners cited five claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03.

American Republic Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
LI Annuity	2	2	0
Group DI	2	2	1
Group LI	8	8	2
Individual LI	12	37	2
TOTALS	24	49	5

TABLE OF TOTAL CITATIONS

Citation	Description	American Republic
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	3
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	2
Total Citations		5

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. The Company failed to properly document claim files. In three instances the Company's files failed to contain all documents, notes and work papers. The Department alleges these acts are in violation of CCR §2695.3(a).

Company Response: The Company is aware of this section of the California Insurance Code and is reviewing their procedures in order to comply with California rules and regulations.

2. The Company failed to respond to communications within fifteen calendar days. In two instances the Company failed to respond to communications within fifteen calendar days. The Department alleges these acts are in violation of CCR §2695.5(b).

Company Response: The Company acknowledges these errors and has implemented new procedures to assure timely communication to the claimant.