

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

**ASSURED INVESTORS LIFE COMPANY**  
**NAIC # 71447 CDI # 1972-9**

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



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:

**Assured Investors Life Company**

**NAIC #71447**

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](http://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), 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 Regulation, 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 Modesto, 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 September 30, 2000, commonly referred to as the “review period”. The examiners reviewed 365 Assured Investors Life Company medical, Medicare supplement, dental and Life insurance (LI) claim files. The Market Conduct examiners cited 39 claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03.

<b>Assured Investors Life Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Medical	5041	131	10
Medicare Supplement	2984	112	11
Dental	3964	121	18
Group LI	1	1	0
<b>TOTALS</b>	11,990	365	39

**TABLE OF TOTAL CITATIONS**

<b>Citation</b>	<b>Description</b>	<b>Assured Investors Life</b>
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	38
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	1
<b>Total Citations</b>		39

## **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 that has or will be taken to correct the deficiency. Regardless of the remedial action 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 provide written basis for the denial of the claim.** In 38 instances the Company failed to provide written basis for the denial of the claim. The Department alleges these acts are in violation of CCR §2695.7(b)(1).

**Company Response:** The Company acknowledged that some claims lacked proper denials. They stated that this was due, in part, to errors in the handling process. As a result of this examination, the Company indicated that their procedures have now been revised to allow for "free format messages" to be included on "explanation of benefits" forms that are sent to policyholders. These messages provide more specific reasons for the denial of claims. Another change in procedures the Company has implemented is to notify policyholders on "explanation of benefits" forms when the policyholder is not obligated to pay for all or part of the services billed.

**2. The Company failed to properly document claim files.** In one instance the Company's file failed to contain all documents, notes and work papers. The Department alleges this act is in violation of CCR §2695.3(a).

**Company Response:** The Company acknowledged their failure to have all documents in the subject file. The Company stated this was a rare occurrence caused from an error in the electronic system that stores claim information.