

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

**BC LIFE & HEALTH INSURANCE COMPANY**

**NAIC # 62825 CDI # 3273-0**

**UNICARE LIFE & HEALTH INSURANCE COMPANY**

**NAIC # 80314 CDI # 2450-5**

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 21, 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:

**BC Life and Health Insurance Company**

**NAIC #62825**

And

**Unicare Life and Health Insurance Company**

**NAIC #80314**

Hereinafter referred to as the BCLHIC, ULHIC or collectively as the Companies.

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 Companies 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 Companies 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 Companies for use in California including any documentation maintained by the Companies 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 Companies' claims office in Woodland Hills, Ca.

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 368 BC Life and Health Insurance Company Health files, including 176 Health files, 133 Dental files, and 59 Life files. The examiners reviewed two Unicare Life & Health Insurance Company Health files. The Market Conduct examiners cited one claim handling violation of the Fair Claims Settlement Practices Regulations and/or California Insurance Code section 790.03.

<b>BC Life &amp; Health Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Group Life	338	59	1
Health Claims	618,242	176	0
Dental Claims	154,059	133	0
<b>TOTALS</b>	772,639	368	1

<b>Unicare Life &amp; Health Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Health Claims	2	2	0
<b>TOTALS</b>	2	2	0

<b>TABLE OF TOTAL CITATIONS</b>			
<b>Citation</b>	<b>Description</b>	<b>BC Life and Health Insurance</b>	<b>Unicare Life and Health</b>
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim	1	0
<b>Total Citations</b>		1	0

## **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 discovered during the course of this examination.

**1. 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 acknowledges the above instance of non-compliance. The Company agrees to perform additional oversight in the future to avoid lapse of compliance with CCR §2695.3(a).