

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

**THE FIRE AND CASUALTY INSURANCE COMPANY OF  
CONNECTICUT  
NAIC # 24880 CDI # 1578-4**

**SECURITY INSURANCE COMPANY OF HARTFORD  
NAIC # 24902 CDI # 0198-2**

**THE CONNECTICUT INDEMNITY COMPANY  
NAIC # 24872 CDI # 1111-4**

**EMPLOYEE BENEFITS INSURANCE COMPANY  
NAIC # 32794 CDI # 1831-3**

AS OF DECEMBER 31, 1999

**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 13, 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:

**The Fire and Casualty Insurance Company of Connecticut**

**NAIC # 24880**

**Security Insurance Company of Hartford**

**NAIC # 24902**

**The Connecticut Indemnity Company**

**NAIC # 24872**

**And**

**Employee Benefits Insurance Company**

**NAIC # 32794**

Hereinafter referred to as F&C, SIC, CI and EBI 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 July 1, 1998 through December 31, 1999. 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 July 1, 1998 through December 31, 1999, commonly referred to as the “examination period”, or “window period”. The examiners reviewed nine The Fire and Casualty Insurance Company of Connecticut files (F&C), 18 Security Insurance Company of Hartford (SIC), 59 The Connecticut Indemnity Company (CI) and 34 Employee Benefits Insurance Company (EBI). The Market Conduct examiners cited 33 claims handling violations of the California Insurance Code.

<b>The Fire and Casualty Insurance Company of Connecticut</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Workers Compensation Paid	15	9	4
<b>TOTALS</b>	15	9	4

<b>Security Insurance Company of Hartford</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Workers Compensation Paid	26	18	5
<b>TOTALS</b>	26	18	5

<b>The Connecticut Indemnity Company</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Workers Compensation Paid	213	59	17
<b>TOTALS</b>	213	59	17

**Employee Benefits Insurance Company**

<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Workers Compensation Paid	88	34	7
<b>TOTALS</b>	88	34	7

**TABLE OF TOTAL CITATIONS**

<b>Citation</b>	<b>Description</b>	<b>F&amp;C</b>	<b>SIC</b>	<b>CI</b>	<b>EBI</b>
CIC §790.03(h)(3)	The Company failed to send required benefit notices; late benefit notices; conduct investigations; and advise injured workers about their right to a qualified medical examination as required by the Labor Code.	4	5	13	7
CIC §790.03(h)(5)	Failure to pay proper benefits (as required by the Labor Code).	0	0	4	0
<b>Total Citations</b>		4	5	17	7

## **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 Companies are 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 Companies, it is the Companies' obligation to ensure that compliance is achieved. There were four cases where money was recovered for claimants. The total money recovered was \$390.75.

**1. Failure to adopt and implement reasonable standards for the prompt investigation and processing of claims:** In 13 instances for CI, 5 for SIC, 7 for EBI and 4 for F&C, the Companies failed to either send required benefit notices; or sent late benefit notices; or conduct investigations; or advise injured workers about their right to a qualified medical examination as required by the Labor Code. The Department alleges these acts are in violation of CIC §790.03(h)(3) as the Companies failed to adopt and implement reasonable standards for the prompt investigation and processing of claims.

**Company Response:** The Companies acknowledged the individual violations. As a result of this claim examination, the insurer's claim personnel will be trained to follow proper procedure as adopted by the Companies.

**2. Failure to effectuate prompt, fair and equitable settlement of claims:** In 4 instances CI adjusters failed to effectuate a prompt, fair or equitable settlement. The Department alleges these acts are in violation of CIC §790.03(h)(5).

**Company Response:** The Company acknowledged that adjusters failed to request updated wage statements and that resulted in underpayments. The Company requested updated statements and issued additional payments to the injured workers totaling \$390.75. As a result of this examination training will be conducted for all claims personnel.

It is noted that no violations were found in the files that had been processed after the training had occurred.