

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS  
PRACTICES OF THE  
**MIC PROPERTY & CASUALTY INSURANCE  
CORPORATION**

**NAIC # 38601 CDI # 2645-0**

**AS OF JUNE 30, 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



July 12, 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:

**MIC PROPERTY & CASUALTY INSURANCE CORPORATION**

**NAIC # 38601 CDI # 2645-0**

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 July 1, 1998 through June 30, 1999. 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 office of 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 July 1, 1998 through June 30, 1999, commonly referred to as the “review period”. The examiners reviewed 299 MIC Property & Casualty Insurance Corporation Commercial Automobile (CA) claim files. The Market Conduct examiners cited 6 claims handling violations of the Fair Claims Practices Regulations and/or the California Insurance Code.

<b>MIC Property &amp; Casualty Insurance Corporation Preferred Dealer Program</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
CA Bodily Injury	0	0	0
CA Property Damage	0	0	2
CA Collision	0	0	2
<b>TOTALS</b>	0	0	5

<b>MIC Property &amp; Casualty Insurance Corporation Collateral Protection-Creditor Placed Automobile Insurance Program</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
CA Comprehensive	0	0	0
CA Collision	0	0	1
<b>TOTALS</b>	0	0	1

<b>TABLE OF TOTAL CITATIONS</b>			
<b>Citation</b>	<b>Description</b>	<b>Collateral Protection Program</b>	<b>Preferred Dealer Protection Program</b>
CCR §2695.7(b)(3)	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.	1	3
CCR §2695.7(h)	Upon acceptance of the claim the Company failed to tender payment within thirty calendar days.	0	1
CCR §2695.8(i)	The Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.	0	1
<b>Total Citations</b>		1	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 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 advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.** In four 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 these acts are in violation of CCR §2695.7(b)(3).

**Company Response:** The Company has acknowledged that the correct Department information, advising claimants of their right to review, must be included on all denial letters. As a result of this claim examination, insurer personnel will be trained to use the proper wording.

**2. Upon acceptance of the claim the Company failed to tender payment within thirty calendar days.** In one instance, upon acceptance of the claim the Company failed to tender payment within thirty calendar days. The Department alleges this act is in violation of CCR §2695.7(h).

**Company Response:** The Company has acknowledged its obligation to pay claims within 30 days once proof has been received. As a result of this claim examination, the insurer will implement further quality control action to identify delays.

**3. The Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.** In one instance, the Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation of the claim. The Department alleges this act is in violation of CCR §2695.8(i).

**Company Response:** The Company has acknowledged that subrogation letters need to be sent to the insured in every applicable claim. As a result of this claim examination, insurer personnel will be trained to send the subrogation letters in all applicable cases.