

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS
PRACTICES OF THE
MUTUAL OF OMAHA INSURANCE COMPANY
NAIC # 71412 CDI # 0569-4

AS OF JANUARY 15, 2001

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



October 30, 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:

Mutual of Omaha Insurance Company

NAIC #71412

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 January 15, 2000 through January 15, 2001. 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 Company's claims office in Omaha, Nebraska.

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 January 15, 2000 through January 15, 2001, commonly referred to as the “review period”. The examiners reviewed 188 Mutual of Omaha Insurance Company health and accident insurance and 151 disability insurance claim files. The Market Conduct examiners cited 24 claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03 within the scope of this report.

Mutual of Omaha Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Health and Accident	14,464	188	19
Disability	6,600	151	5
TOTALS	21,064	339	24

TABLE OF TOTAL CITATIONS		
Citation	Description	Mutual of Omaha Insurance Company
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	11
CCR §2695.3(b)(2)	The Company failed to record in the file the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file.	5
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	3
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	2
CCR §2695.11(b)	The Company failed to provide a clear explanation of the computation of benefits.	1
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
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty calendar days.	1
Total Citations		24

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 properly document claim files. In 11 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 acknowledged the files failed to contain all documents, notes and work papers. The Company states these violations were not knowingly committed and that the frequency of these violations does not indicate a general business practice. Following this claim examination, the Company adjusted their process. The Company believes the new process will greatly reduce the risk of documents being misfiled or not imaged.

2. The Company failed to record claim data in the file. In five instances, the Company failed to record the date the Company received, dates the Company processed and dates the Company transmitted or mailed every relevant document in the file. The Department alleges these acts are in violation of CCR §2695.3(b)(2).

Company Response: The Company acknowledged the files did not provide the relevant documents and dates. The Company states these violations were not knowingly committed and that the frequency of these violations does not indicate a general business practice. Following this claim examination, the Company adjusted their process. The Company believes the new process will control the quality and placement of date stamps in the mailing department.

3. The Company failed to respond to communications within fifteen calendar days. In three 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 acknowledged the files did not contain the necessary communications. The Company states these violations were

not knowingly committed and that the frequency of these violations does not indicate a general business practice. The Company discussed this with impacted examiners and also sent a reminder memorandum regarding this requirement.

4. The Company failed to provide written basis for the denial of the claim.

In two 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 the files did not contain written denials. The Company states these violations were not knowingly committed and that the frequency of these violations does not indicate a general business practice. It is the Company's procedure to do so and, following this examination, this procedure was reviewed with claim staff.

5. The Company failed to provide an explanation of benefits.

In one instance, the Company failed to provide to the claimant a clear explanation of the computation of benefits. The Department alleges this act is in violation of CCR §2695.11(b).

Company Response: The Company acknowledged the explanation of benefits did not contain a clear explanation of the computation of benefits. The Company states this violation was not knowingly committed and that the frequency of this violation does not indicate a general business practice. It is the Company's procedure to provide one and the Company has discussed this requirement with both the claim handler and claim supervisor.

6. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.

In one instance, 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 this act is in violation of CCR §2695.7(b)(3).

Company Response: The Company acknowledged the file did not contain the necessary California Department of Insurance information. It is the Company's procedure to include the Department information. The Company states this violation was not knowingly committed and that the frequency of this violation does not indicate a general business practice. Following this claim examination, insurer personnel were reminded of this requirement.

7. The Company failed to provide written notice of the need for additional time every thirty calendar days.

In one instance, the Company failed to provide written notice of the need for additional time every thirty calendar days. The Department alleges this act is in violation of CCR §2695.7(c)(1).

Company Response: The Company acknowledged the file did not contain the written notice of the need for more time. The Company states this violation was not knowingly committed and that the frequency of this violation does not indicate a general business practice. Following this claim examination, insurer personnel were reminded of this requirement.