

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

**OLD REPUBLIC MINNEHOMA INSURANCE COMPANY
NAIC # 35424 CDI # 2278-0**

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



September 27, 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:

Old Republic Minnehoma Insurance Company

NAIC # 35424

Hereinafter referred to as ORMIC or 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 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 Company claims office in Tulsa, Oklahoma.

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 181 ORMIC auto warranty and collateral protection claim files. The Market Conduct examiners cited 33 claims handling violations of the Fair Claims Practices Regulations and/or the California Insurance Code.

Old Republic Minnehoma Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Auto Warranty	1318	122	8
Collateral Protection	59	59	25
TOTALS	1377	181	33

TABLE OF TOTAL CITATIONS		
Citation	Description	ORMIC
CCR §2695.7(g)	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	10
CCR §2695.8(b)(1)	The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.	9
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	8
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.	4
CCR §2695.8(b)(1)(C)	The Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernable, measurable, itemized, and specified as well as be appropriate in dollar amount.	1
CCR §2695.5(e)(1)	The Company failed to acknowledge notice of claim within fifteen calendar days.	1
Total Citations		33

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 resulting from the criticisms cited in this report.

1. The Company attempted to settle a claim by making a settlement offer that was unreasonably low. In 10 instances the Company attempted to settle a claim by making a settlement offer that was unreasonably low. The Department alleges these acts are in violation of CCR § 2695.7(g).

Company Response: The Company believes that the requirement to pay sales tax to the cost of repairs on partial losses and other charges such as hazardous waste disposal fees are not applicable to claims made under collateral protection policies.

This is an unresolved issue and may result in further administrative action.

2. The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. In 9 instances the Company failed to include in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. The Department alleges these acts are in violation of CCR § 2695.8(b)(1).

Company Response: The Company believes the requirement to pay sales tax and Department of Motor Vehicle fees in total losses (i.e. actual cash value settlements) does not apply to claims made under collateral protection policies.

This is an unresolved issue and may result in further administrative action.

3. The Company failed to provide written basis for the denial of the claim. In 8 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 has agreed to restructure its warranty claims system as a result of the examination process. The system change

will separate customer coverage inquiries from an actual claim denial to ensure that telephone denials will be followed up in writing.

4. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance. In 4 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 states that the reference to the California Department of Insurance was overlooked. The Company has taken measures to eliminate this oversight in the future by reinforcing Fair Claims Practices Regulations with Adjusters.

5. The Company failed to document the determination of value. In 1 instance the Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernable, measurable, itemized, and specified as well as be appropriate in dollar amount. The Department alleges this act is in violation of CCR § 2695.8(b)(1)(C).

Company Response: The Company agrees that the determination of the value of the vehicle was not documented according to procedures. The Company has reinforced Fair Claims Settlement Practices Regulations with its staff to ensure future compliance.

6. The Company failed to acknowledge notice of claim within fifteen calendar days. In 1 instance the Company failed to acknowledge notice of claim within 15 calendar days. The Department alleges this act is in violation of CCR § 2695.5(e)(1).

Company Response: The Company states that the acknowledgement letter was apparently overlooked or inadvertently removed from file. The Company has taken measures to eliminate this oversight in the future by reinforcing Fair Claims Practices Regulations with Adjusters.