

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

SENTRY INSURANCE A MUTUAL COMPANY
NAIC# 24988 CDI# 0856-5

SENTRY LIFE INSURANCE COMPANY
NAIC# 68810 CDI# 1631-1

MIDDLESEX INSURANCE COMPANY
NAIC# 23434 CDI#1945-5

AS OF JUNE 30, 1999

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF THE EXAMINATION.....	2
CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS.....	3
TABLE OF TOTAL CITATIONS.....	5
SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES.....	6

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:

Sentry Insurance A Mutual Company

NAIC# 24988

Sentry Life Insurance Company

NAIC# 68810

Middlesex Insurance Company

NAIC# 23434

Hereinafter referred to as SIAMCO, SLIC, MDX, the Company 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) 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 June 30, 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 Stevens Point, Wisconsin.

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 169 Sentry Insurance A Mutual Company (SIAMCO) commercial automobile (CA), workers compensation, commercial liability and general liability claim files, 30 Sentry Life Insurance Company (SLIC) disability claim files, and 12 Middlesex Insurance Company (MDX) workers compensation and general liability claim files. The Market Conduct examiners cited 59 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code section 790.03.

Sentry Insurance A Mutual Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
CA Bodily Injury	113	21	6
CA Property Damage	309	45	23
CA Uninsured Motorist Bodily Injury	4	4	0
CA Collision	142	40	5
CA Comprehensive	13	9	5
CA Medical Pay	4	3	2
Workers Compensation	2,270	7	1
Commercial Liability Property Damage	413	20	7
General Liability	577	20	8
TOTALS	3,845	169	57

Sentry Life Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Dental	632	10	0
Medical	723	20	0
TOTALS	1,355	30	0

Middlesex Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Workers Compensation	156	10	2
General Liability	34	2	0
TOTALS	190	12	2

TABLE OF TOTAL CITATIONS				
Citation	Description	SIAMCO	MDX	SLIC
CCR §2695.5(e)(2)	The Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days.	12		
CCR §2695.4(a)	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	9		
CCR §2695.8(f)	The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.	7		
CCR §2695.7(f)	The Company failed to provide written notice of any statute of limitation or other time period requirement not less than sixty days prior to expiration date.	6		
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.	5		
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty-calendar days.	3		
CIC §790.03(h)(3)	The Company failed to implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.	2	1	
CCR §2695.5(e)(3)	The Company failed to begin investigation of claim within fifteen calendar days.	3		
CCR §2695.5(a)	The Company failed to respond to a Department of Insurance inquiry within twenty-one days of the inquiry.	2	1	
CCR §2695.8(b)(1)	The Company failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile.	2		
CCR §2695.7(g)	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	2		
CCR §2695.7(b)	The Company failed, upon receiving proof of claim, to accept or deny the claim within forty calendar days.	2		
CCR §2695.7(h)	Upon acceptance of the claim, the Company failed to tender payment within thirty calendar days.	1		
CCR §2695.5(e)(1)	The Company failed to acknowledge notice of claim within fifteen calendar days.	1		
Total Citations		57	2	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 Companies are required to identify remedial or corrective action 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 two cases where money was recovered for claimants. The total money recovered was \$5,135.25.

1. The Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days: In 12 instances SIAMCO failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days. The Department alleges these acts are in violation of CCR §2695.5(e)(2).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

2. The Company failed to disclose all policy provisions: In nine instances SIAMCO failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges these acts are in violation of CCR §2695.4(a).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

3. The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based: In seven instances SIAMCO failed to supply the claimant with a copy of the estimate upon which settlement is based. The Department alleges these acts are in violation of CCR §2695.8(f).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

4. The Company failed to provide written notice of any statute of limitation sixty days prior to the expiration date: In six instances SIAMCO failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to expiration date. The Department alleges these acts are in violation of CCR §2695.7(f).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

5. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance: In five instances SIAMCO did not 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 these errors and corrective action will be taken through training programs.

6. The Company failed to provide written notice of the need for additional time every thirty-calendar days: In three instances SIAMCO failed to provide written notice of the need for additional time every thirty-calendar days. The Department alleges these acts are in violation of CCR §2695.7(c)(1).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

7. The Company failed to implement reasonable standards for the prompt investigation and processing of claims: In two instances SIAMCO and one instance MDX failed to send the appropriate denial of permanent disability notices to the claimants. In one instance SIAMCO did not promptly investigate and process a claim. The Department alleges these acts are violations of CIC §790.03(h)(3).

Company Response: The Companies have acknowledged these errors and corrective action will be taken through training programs.

8. The Company failed to begin investigation of the claim within fifteen calendar days: In three instances SIAMCO failed to begin investigation of the claim within fifteen calendar days. The Department alleges these acts are in violation of CCR §2695.5(e)(3).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

9. The Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry: In two instances SIAMCO and one instance MDX failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry. The Department alleges these acts are in violation of CCR §2695.5(a).

Company Response: These acts were an oversight by the Companies. Staff will be instructed as to the requirements of the law.

10. The Company failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile: In two instances SIAMCO failed to explain in writing for the claimant the basis of fully itemized cost of the comparable automobile. The Department alleges these acts are in violation of CCR §2695.8(b)(1).

Company Response: The Company has acknowledged these errors and corrective action will be taken through training programs.

11. The Company attempted to settle a claim by making a settlement offer that was unreasonably low: In two instances SIAMCO attempted to settle a claim by making a settlement offer that was unreasonably low. The Department alleges these acts are violations of CCR §2695.7(g).

Company Response: The Company reevaluated one claim and subsequently paid the claimant an indemnity payment as well as a loss of use payment. The total money returned to the claimant was \$5,115.25. In another claim, it was estimated the vehicle repairs would take two to three days. The Company paid an additional day of rental reimbursement. The total money returned to the claimant was \$20.

12. The Company failed to accept or deny the claim within forty calendar days: In two instances SIAMCO failed, upon receiving proof of claim, to accept or deny the claim within forty calendar days. The Department alleges these acts are in violation of CCR §2695.7(b).

Company Response: The Company has acknowledged this error and corrective action will be taken through training programs.

13. Upon acceptance of the claim the Company failed to tender payment within thirty calendar days: In one instance, upon acceptance of the claim, SIAMCO 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 this error and corrective action will be taken through training programs.

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

Company Response: The Company has acknowledged this error and corrective action will be taken through training programs.