

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

PROVIDENT MUTUAL LIFE INSURANCE COMPANY
NAIC # 68225 CDI # 0176-8

AS OF APRIL 30, 2002

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

FIELD CLAIMS BUREAU

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CALIFORNIA DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013



January 2, 2003

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:

Provident Mutual Life Insurance Company

NAIC #68225

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 May 1, 2001 through April 30, 2002. 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), the California Vehicle Code (CVC) 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 conducted in the Home Office of the Company in Newark, Delaware.

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.

Any 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 examiners reviewed files drawn from the category of Closed Claims for the period May 1, 2001 through April 30, 2002, commonly referred to as the “review period”. The examiners reviewed 175 Provident Mutual Life Insurance Company claims files. The examiners cited 4 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

Provident Mutual Life Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Individual Life	533	81	0
Annuity	27	26	1
Hospital Indemnity	55	43	2
Waiver of Premium	32	25	1
TOTALS	647	175	4

TABLE OF TOTAL CITATIONS

Citation	Description	Provident Mutual Life Insurance Company
CCR §2695.7(b)(3)	The Company failed to include the claimant's right to a CDI review in denial letters.	2
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty-calendar days.	1
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	1
Total Citations		4

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. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Company is required to identify remedial or corrective action that has been 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 discovered within the scope of 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 two 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).

Summary of Company Response: The Company has acknowledged that the form letters used in these two instances did not contain the required language. The Company's standard procedure is to include this language in all California claims. The regulation will be reviewed with the adjusters for future compliance.

2. 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).

Summary of Company Response: The Company's standard procedure is to send the written notice of need for additional time per the statute. The Company has acknowledged this one violation and will review the regulation with the adjusters for future compliance.

3. The Company failed to respond to communications within fifteen calendar days. In one instance, the Company failed to respond to communications within fifteen calendar days. The Department alleges this act is in violation of CCR §2695.5(b).

Summary of Company Response: The Company's standard is to respond to communications within fifteen calendar days. The Company has acknowledged this one violation and will review the regulation with the adjusters for future compliance.