PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
NAIC # 28401 CDI #2256-6

AS OF JUNE 30, 1999

STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

FIELD CLAIMS BUREAU

TABLE OF CONTENTS

SALUTATION…..…….1

SCOPE OF THE EXAMINATION……..…….2

CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS.…….……..3

TABLE OF TOTAL CITATIONS……..……..4

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS
AND TOTAL RECOVERIES.……..…….…….……..5

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

December 31, 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:

American National Property and Casualty Company

NAIC #28401

Hereinafter referred to as ANPAC 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) and 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 Springfield, Missouri.

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 199 American National Property and Casualty Company Personal Automobile (PA) claim files. The Market Conduct examiners cited 38 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report.

American National Property and Casualty Company			
CATEGORY	**CLAIMS FOR REVIEW PERIOD**	**REVIEWED**	**CITATIONS**
PA Comprehensive	53	30	14
PA Collision	71	43	15
PA Bodily Injury	44	30	3
PA Uninsured Motorist	48	24	3
PA Underinsured Motorist	2	2	0
PA Property Damage	64	35	2
PA Medical Payments	53	35	1
TOTALS	335	199	38

TABLE OF TOTAL CITATIONS		
Citation	**Description**	**ANPAC**
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.	14
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.	9
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes and work papers which pertain to the claim.	3
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	3
CCR §2695.8(k)	The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing.	2
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	2
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.	1
CCR §2695.5(e)(1)	The Company failed to acknowledge notice of claim within fifteen calendar days.	1
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	1
CCR §2695.5(a)	The Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry.	1
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.	1
Total Citations		38

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. 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 at this time. However, recoveries resulting from this examination will be reported to the CDI pending a self-audit by the insurer.

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: In 14 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 acknowledges that it did not include transfer fees in settlement of total losses. As a result of this claims examination, the Company will perform an audit retroactively three years and process additional payments as required. The Company states that this was not an intentional violation of the Insurance Code.

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

Company Response: As a result of this examination, the Company has acknowledged the requirement to provide a basis for comparable automobile cost and has established new procedure to provide a written basis of total loss settlements to all claimants.

3. The Company failed to properly document claim files: In three instances, the Company's file(s) 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 denies the individual violations occurred as stated in the regulations and believes that the files were documented appropriately.

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

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 three 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 acknowledged that the correct language was not in the denial letter as required. As a result of this examination, the Company has implemented a new procedure to include the appropriate language in all denial letters. The Company further responds that this violation was not knowingly committed or performed with such a frequency to indicate a general business practice.

5. The Company failed to document the basis of betterment, depreciation, or salvage: In two instances, the Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing. The Department alleges these acts are in violation of CCR §2695.8(k).

Company Response: The Company responds that this violation was not knowingly committed or performed with such a frequency to indicate a general business practice.

6. 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 violation and has implemented a procedure to provide the written basis for the denial of a claim.

7. 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 responds that this violation was not knowingly committed or performed with such a frequency to indicate a general business practice.

8. The Company failed to acknowledge notice of claim within fifteen calendar days: In one instance, the Company 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 denies that a violation of this section occurred.

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

9. 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).

Company Response: The Company acknowledges this violation and responds that this act was not knowingly committed or performed with such frequency as to indicate a general business practice. As a result of this Market Conduct Examination the Company has issued a memorandum along with a powerpoint presentation to the relevant areas of the company in order to review the requirements of the Fair Claims Settlement Regulations with all personnel that handle California claims.

10. The Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry: In one instance, the Company failed to respond to a Department of Insurance inquiry within twenty-one calendar days of the inquiry. The Department alleges this act is in violation of CCR §2695.5(a).

Company Response: The Company acknowledged this violation

11. The Company failed to record claim data in the file: In one instance, the Company failed to record the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file. The Department alleges this act is in violation of CCR §2695.3(b)(2).

Company Response: The Company responded that it is their procedure to date stamp all documentation received and any violation was not knowingly committed or performed with such a frequency as to indicate a general business practice.