



Dora

Department of Regulatory Agencies

Annual Report of the
Commissioner of Insurance

to

The Colorado General Assembly

on

Complaints Against Insurers

FY 2008-2009

October 1, 2009





Dora
Department of Regulatory Agencies

Division of Insurance
Marcy Morrison
Commissioner of Insurance

Bill Ritter, Jr.
Governor

D. Rico Munn
Executive
Director

October 1, 2009

Dear Committee Members,

I am pleased to submit the FY2008-2009 Annual Report of the Commissioner of Insurance on Complaints Against Insurers pursuant to §10-16-128, C.R.S. This year's report provides comparable data for the last five years and identifies the top reasons consumers submit complaints to the Division regarding auto, health, life, homeowners, liability, annuity and title insurance.

In the report, we also reference the 2008 Complaint Ratio and Complaint Index Reports which provide consumers with information about the number of complaints and questions lodged against the various insurance companies and health carriers. These reports are available on our website at www.dora.state.co.us/insurance.

Our mission is consumer protection and we appreciate the opportunity to report the types of questions and complaints we receive, and how we respond to consumers' needs. If you have any questions, please contact me at the Division.

Sincerely,

Marcy Morrison
Commissioner of Insurance



Complaints Against Insurers

FY 2008-2009

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Executive Summary

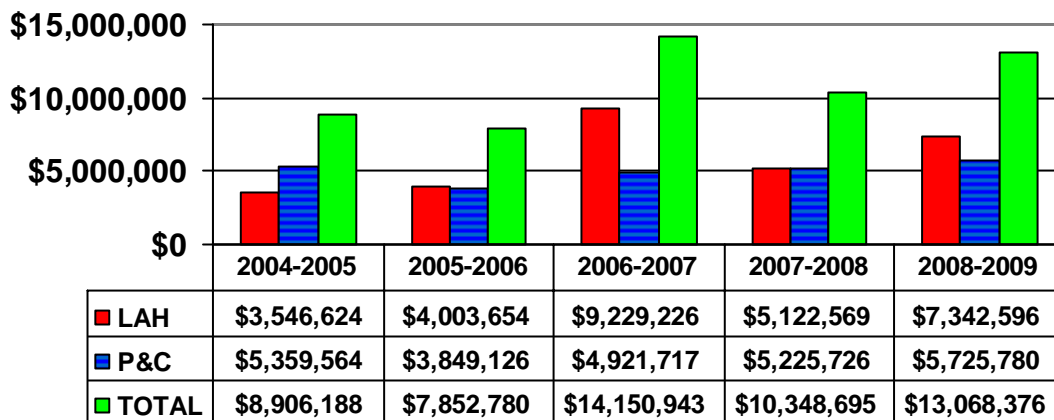
This report is submitted to the Colorado General Assembly to fulfill the requirements of C.R.S. 10-16-128 for an annual report on the number, nature, and outcome of complaints against insurers during the preceding 12 months.

The Division of Insurance (Division) has 18 staff dedicated to assisting consumers with complaints against insurance companies, and responding to questions about insurance issues. In Fiscal Year 2008-2009 (FY08-09), these staff logged over 24,000 incoming consumer telephone calls, over 4,000 consumer e-mails, and hundreds of pieces of correspondence from consumers with questions and issues about insurance coverage. Of these communications, 4,178 became formal consumer complaints against specific insurers. Formal complaints are required to be in writing or filed through the Division's website at www.dora.state.co.us/insurance.

Complaints are received on all lines of insurance. The greatest proportion of complaints involved auto insurance (25 percent) and protests of auto insurance cancellation, nonrenewal, reduction of coverage or surcharge (37 percent). Health coverage accounted for 18 percent of complaints, while homeowners insurance represented 10 percent of complaints. No other type of insurance represented more than 5 percent of complaints.

In Fiscal Year 2008-2009, the Division recovered more than \$13 million for consumers in additional claims payments, overturned denials of benefits, reinstatements of coverage and cancellation of policies with the return of consumers' money.

Division of Insurance Consumer Affairs Recoveries For Consumers



LAH is all lines of Life, Accident and Health insurance, including health, life, and annuities.
P&C is Property and Casualty insurance, which includes homeowners, auto, and title insurance.

While health and life insurance, including annuities, represent about a quarter of the total complaints, consumer recoveries for these complaint represent more than half of the total recoveries. This is due, in large part, to substantial dollar recoveries on relatively few life and annuity complaints.

The reasons consumers file complaints vary for each major line of insurance. The “top ten” reasons for complaints, for each line, are shown in the complete report. The table below indicates the most common reason consumers voiced complaints for each line, or type, of insurance.

Top Complaint Reasons for Major Types (Lines) of Insurance FY08-09

Major Types (Lines) of Insurance	Top Complaint Reasons for FY08-09
Auto Insurance:	Premium and Rating (Underwriting)
Health Insurance:	Denial of Claim (Claims Handling)
Homeowners Insurance:	Denial of Claim (Claims Handling)
Life Insurance:	Information Requested (Policyholder Service) and Delay (Claim Handling)
Liability:	Denial of Claim (Claims Handling)
Annuities:	Misrepresentation (Marketing and Sales)
Title Insurance:	Other (Marketing and Sales)

Note: Color signifies that the reason falls under: the Underwriting category; Claims Handling; Policyholder Services; and Marketing and Sales.

The Division of Insurance receives many inquiries and complaints that, upon investigation, do not indicate wrongdoing by the insurance carrier. A complaint is categorized as confirmed where the Division's investigation indicates a violation of law, regulation or disregard for policy provisions.

In the "Life, Accident and Health" area, complaints have been confirmed at higher rates than other lines, meaning the complaint is confirmed and resolved, in whole or in part, in favor of the consumer.

- For health insurance complaints, the confirmed rate is 66 percent;
- For life insurance, confirmed complaints are at 67 percent;
- For annuities, the confirmed rate is at 59 percent.

In the “Property and Casualty” lines, the proportion of confirmed complaints is:

- For auto insurance, the rate of confirmed complaints is 65 percent (excluding auto protests), including auto protests it is 39 percent;
- For homeowners insurance, the confirmed complaint rate is 53 percent.

The Complaint Ratio and Index Reports, found on the Division’s website, provide additional information about total and confirmed complaints by company for auto, health, homeowners, life, and annuity lines of insurance. These reports are located on the web at: http://www.dora.state.co.us/pls/real/Ins_Comp_Ratio_Report.Home.

Introduction and Statutory Authority

Consumer protection is the mission of the Colorado Department of Regulatory Agencies and the Division of Insurance.

The legislative declaration introducing Title 10 on Insurance, CRS 10-1-101, states:

The general assembly finds and declares that the purpose of this title is to promote the public welfare by regulating insurance to the end that insurance rates shall not be excessive, inadequate, or unfairly discriminatory, to give consumers thereof the greatest choice of policies at the most reasonable cost possible, to permit and encourage open competition between insurers on a sound financial basis, and to avoid regulation of insurance rates except under circumstances specifically authorized under the provisions of this title. Such policy requires that all persons having to do with insurance services to the public be at all times actuated by good faith in everything pertaining thereto, abstain from deceptive or misleading practices, and keep, observe, and practice the principles of law and equity in all matters pertaining to such business.

To achieve this mission, the operational goals of the Division of Insurance are:

1. Consumers have as many legitimate insurance choices as possible;
2. Consumers have access to needed information to make these choices; and
3. Companies competing for consumers' business are in full compliance with the rules and laws of Colorado.

The Division's Consumer Affairs section focuses on consumer assistance and regulatory enforcement and has four subsections:

- Consumer Affairs – Life, Accident and Health
- Consumer Affairs – Property and Casualty
- Compliance and Investigations
- Senior Health Insurance Program

The reference to "Consumer Affairs" in this report is specific to the work of the first two subsections listed above: *Consumer Affairs – Life, Accident and Health*, and *Consumer Affairs – Property and Casualty*. These two subsections are devoted to addressing consumers' questions and complaints about their insurance. The Consumer Affairs section has primary responsibility for handling complaints, including investigating the allegations of complaints and working with consumers, providers, carriers, employers and others to ensure that the insurance policy provisions, laws and regulations are followed. Consumer Affairs deals with all types of insurance regulated by the Division, including health, life, auto, homeowners, commercial property and liability, pre-need funeral, viatical settlements, and title.

Overview of the Complaint Process

Concerns about how insurance companies and health carriers are dealing with individual consumers reach the Division of Insurance (Division) in many ways – telephone, fax, e-mail, the Division’s website complaint form, and walk-in visitors. In addition, inquiries and formal complaints are lodged with the Division’s Consumer Affairs section from individual consumers, employers, providers and provider groups, insurance producers (agents and brokers), legislators on behalf of constituents, and even from companies about their competitors.

Inquiries, Complaints and Consumer Education

The Consumer Affairs section makes a distinction between inquiries, which generally come into the Division by telephone call or e-mail and are generally more informational in nature, as opposed to formal complaints and protests which are required to be in writing and assert a specific dispute or disputes.

Sometimes, inquiries involve a “quick question” or request for general information. They include consumer questions about what the insurance laws and regulations require, asking whether a company or producer is licensed by Colorado, how to reach the company, and/or what avenues or options a consumer has to question an insurance company or health carrier’s determinations. Other inquiries include producer and company calls about a particular issue or for a reference in the statutes or regulations.

The Division’s Consumer Affairs section logs incoming telephone calls, e-mails, walk-in visitors, and other types of communications:

- Approximately 28,000 contacts in FY 08-09
- More than 25,000 contacts in FY07-08;
- 26,000 contacts in FY06-07; and,
- 16,000 contacts in FY05-06.

Formal complaints, as distinguished from inquiries, are more specific and are required to be in writing or filed electronically through the Division’s website. In order to address a complaint, the Division requests information from the consumer, including the company’s name, type of coverage, policy number, claim number, description of the issues and a statement of what resolution is desired.

Division of Insurance Jurisdiction

For both inquiries and complaints, the Consumer Affairs staff must determine whether the Division has jurisdiction. Not all insurance plans are regulated by the Division, particularly in the health area.

Plans that **do not** fall within the Division’s regulatory authority include: benefit plans covering federal employees; Medicare; Medicaid; the Child Health Plus plan; plans and policies written and issued outside of Colorado; self-funded state and local government employee benefit plans; self-funded employer health plans and labor-management trust plans. A self-funded health plan is one where the employer provides the funds for providing health care benefits and determines the plan’s benefit levels.

On the Property and Casualty side, the Division cannot determine percentage of liability or adjudicate fault where it is disputed, i.e. which vehicle caused an auto accident, or determine an issue in favor of a consumer where it is clearly excluded under the terms of the insurance policy.

If the Division does not have jurisdiction, the complainant is notified and referred to the federal or state agency or process best able to assist with concerns.

Steps in the Complaint Process

Once the Division's jurisdiction is determined:

- A staff member from Consumer Affairs is assigned to review the complaint and to conduct an investigation.
- The assigned staff member sends a letter to the company on behalf of the consumer, enclosing a copy of the consumer's complaint.
- The consumer is copied on all correspondence between the company and the Division pertinent to the specific complaint.
- The company is given a specified time period, usually 20 days, to research and respond to the consumer's complaint.
- The company may request an extension, which, if warranted, may be granted, but emphasis is always placed on getting the consumer's concerns resolved promptly.

When the company's response is received, the assigned staff member:

- Reviews the response;
- Ensures the consumer has received a copy; and
- Determines if a law, regulation, or contract provision has been violated.

If a violation has occurred, the Division may:

- Issue an order prior to imposing a fine on the company or licensed producer;
- Require payment to the consumer or on the consumer's behalf for wrongfully denied or withheld benefits, and/or refund of premiums paid; or
- Pursue enforcement of statutory, regulatory or policy provisions.

Moreover, the company or producer may be ordered to comply with the laws, regulations and policy provisions in the matter at-hand and in all future transactions pertaining to the subject matter of the complaint. The Division may also require a self-audit by the company be conducted and restitution paid, or other corrective action plan be implemented, to ensure other affected Colorado consumers get the benefits to which they are entitled.

When the outcome of the complaint shows the company acted appropriately, Consumer Affairs staff work to educate consumers to understand their policy, the requirements of the law, and the applicable principles of insurance.

If the investigation indicates possible producer violations or unlicensed activity, the matter may be referred to the Division's Compliance and Investigations Unit for an administrative action, i.e. license revocation, or to the Attorney General's office for prosecution of criminal matters.

Consumer Feedback on the Complaint Process

The Division strives to resolve consumer complaints as quickly as possible. In Fiscal Year 2008-2009 (FY08-09), approximately 89 percent of consumer complaints were resolved within 90 days, and 93 percent were resolved within 120 days. The 90 day resolution rate was 11 percent better, and the 120 day rate was 5 percent improved, over the last fiscal year.

Once a matter has been resolved, both the consumer and the company are informed of the outcome of the complaint and closure of the Division's file. For quality control purposes, the Division sends consumers a postcard when the file is closed, asking for an evaluation of the Consumer Affairs staff's handling of the complaint.

In FY08-09, there were 2,749 cards mailed to consumers and 1,024 were returned for a 37% return rate. Of those returned, more than 85 percent of the cards rated the Division's work as "satisfactory" or "excellent." Any card expressing dissatisfaction is reviewed by both the analyst and the analyst's supervisor to determine if the Division could improve how the matter was handled.

Complaint statistics and trends are regularly evaluated by Division staff to identify the "Hot Consumer Topics" and to determine whether a pattern or practice is developing by a single company or within a segment of the industry. This analysis may lead in one or more directions – clarification of the Division's interpretation of a law or regulation, amendment of a regulation to strengthen a requirement, or recommendation for a change in statute. Trends and analysis of the complaint statistics also identify issues to be reviewed in scheduled market conduct examinations, or may trigger a special, targeted market conduct investigation, desk audit or market analysis of the identified issues.

The Consumer Affairs section also uses this information to determine if additional education for consumers and insurance producers needs to be made available. New and revised information is regularly developed and appears on the Division's website at www.dora.state.co.us/insurance and in the brochures, alerts, tips, Frequently Asked Questions (FAQs) and other publications developed for consumer education by the Division.

DORA
Department of Regulatory Agencies

COLORADO DIVISION OF INSURANCE

Dear Consumer:
Recently you contacted the Colorado Division of Insurance (DOI) concerning an insurance problem. We value your comments and suggestions. Please take a minute to complete this card and return it to us. Thank you.
- Commissioner of Insurance

PLEASE CIRCLE ONE ANSWER FOR EACH QUESTION

1. Did you speak with your DOI analyst directly?
Yes No
2. How would you rate your DOI analyst's knowledge?
Excellent Satisfactory Unsatisfactory
3. How would you rate your DOI analyst's professionalism?
Excellent Satisfactory Unsatisfactory
4. Did your DOI analyst address all of your concerns?
Yes No
5. How adequately were your concerns responded to by your DOI analyst?
Excellent Satisfactory Unsatisfactory

SUGGESTIONS OR COMMENTS: _____

Complaint Analysis and Trends

Numbers of Complaints

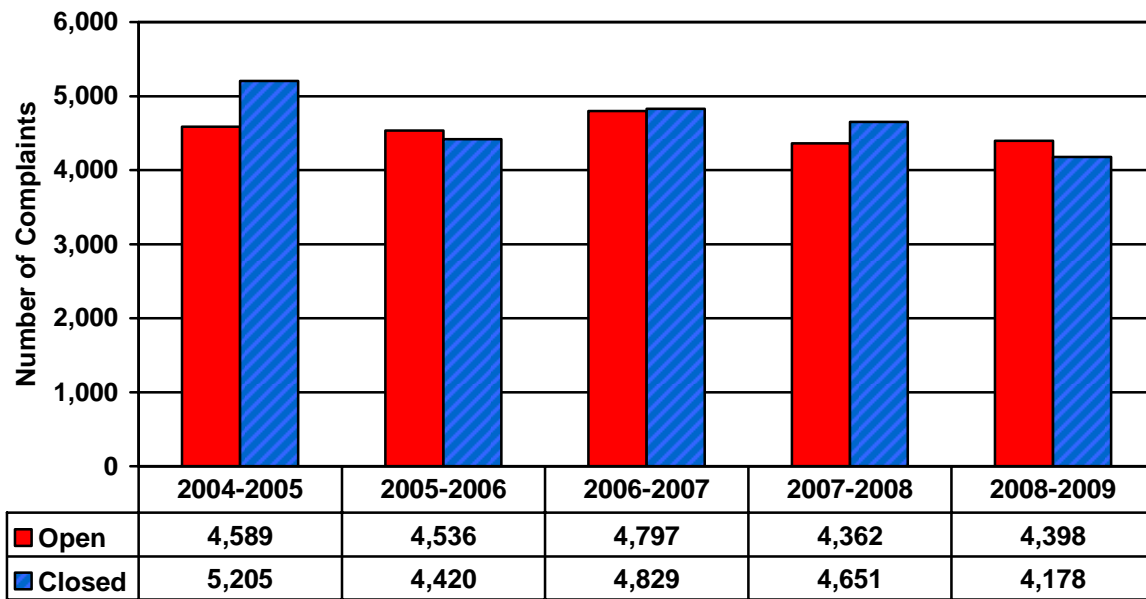
In FY08-09, the Consumer Affairs section handled complaint files as follows:

	Life, Accident and Health	Property and Casualty	Auto Protests	Total
Opened Complaints	1,202	1,644	1,552	4,398
Closed Complaints	967	1,678	1,533	4,178

*Closed complaints for FY08-09 include some complaints that were opened in the previous fiscal year.

Compared to prior years, opened complaints are slightly up this year from last year.

Complaints -- Year to Year Comparison



The number of complaints has stayed relatively stable over the past years, with certain external factors causing variations in the numbers from year to year:

- The higher number of closed complaints in FY04-05 was due to the conversion of Colorado's auto insurance system from no-fault to tort in 2003;
- In FY06-07, the Division identified that a significant reason for the spike in complaints was due to problems of a single large carrier's computer claim system conversion, which resulted in the carrier being put under a corrective action plan monitored by the Division until complaint levels had returned to their previous levels for that carrier;

Trends in Percentage of Complaints by Type of Coverage

Proportion of Complaints by Policy Type

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Auto	28.1%	28.2%	25.8%	26.9%	24.6%
Auto Protests	28.3%	26.9%	25.8%	25.6%	36.7%
Health	23.4%	25.6%	29.0%	26.1%	18.0%
Homeowner	8.9%	7.1%	7.1%	9.3%	9.5%
Life	3.8%	4.5%	4.8%	5.0%	4.4%
Other (combined)	3.8%	2.5%	3.1%	2.4%	2.5%
Liability	1.4%	1.1%	1.4%	1.7%	2.1%
Annuity	0.9%	1.7%	1.8%	1.6%	0.8%
Title	1.4%	2.4%	1.2%	1.3%	1.4%

Percentages may not total to 100% because of rounding.

Auto insurance complaints have been decreasing over time. Included in complaints about auto insurance are issues under various auto coverages: liability, medical payments, collision and comprehensive, uninsured and underinsured motorist. Auto protests are consumer challenges to an auto carrier's imposition of surcharges, cancellation or non-renewal, or reduction in coverage on a personal automobile insurance policy. Colorado's system of permitting a consumer to file a challenge to a proposed increase is somewhat unique. No other state uses the same process to address whether auto insurance surcharges, cancellations, non-renewals or reductions in coverage are appropriate and the increase in auto protests includes many where consumers have been surcharged due to their credit-based insurance score.

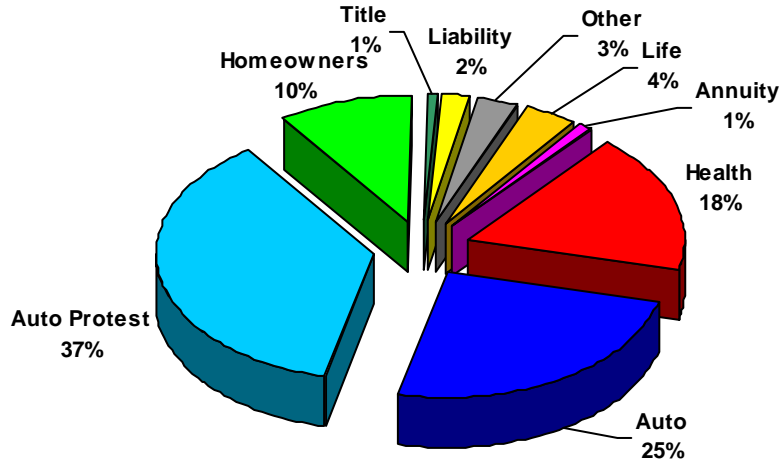
Health insurance complaints peaked in FY06-07 and the Division attributes this spike to the problems of one large carrier with its claims computer system conversion. The Division is looking at the reduction in the proportion of health insurance complaints and is not currently attributing the reduction to any particular cause, though it is expected that current Congressional discussions of health reform may be impacting the filing of complaints.

Homeowner complaints have increased in the past two fiscal years and the increase is most likely due to two circumstances – an increase in weather-related losses (the Windsor tornado in 2008 and the severe hail and thunderstorms in the early summer of 2009) and the economic conditions where home repairs have replaced new home construction in the marketplace.

The "Other" category includes several types of coverage. Under Property and Casualty, it includes pet and travel insurance, commercial property, and issues of classification under worker's compensation coverage. For Life, Accident and Health, the "Other" category includes primarily credit insurance. Service warranties are not considered to be insurance and are not included in these statistics. Together these "other" complaints comprise 2.5 percent of the total complaints handled by the Division.

The breakdown of complaints by the type of coverage for the year is shown in this chart:

Proportion of Complaints By Type of Coverage FY08-09

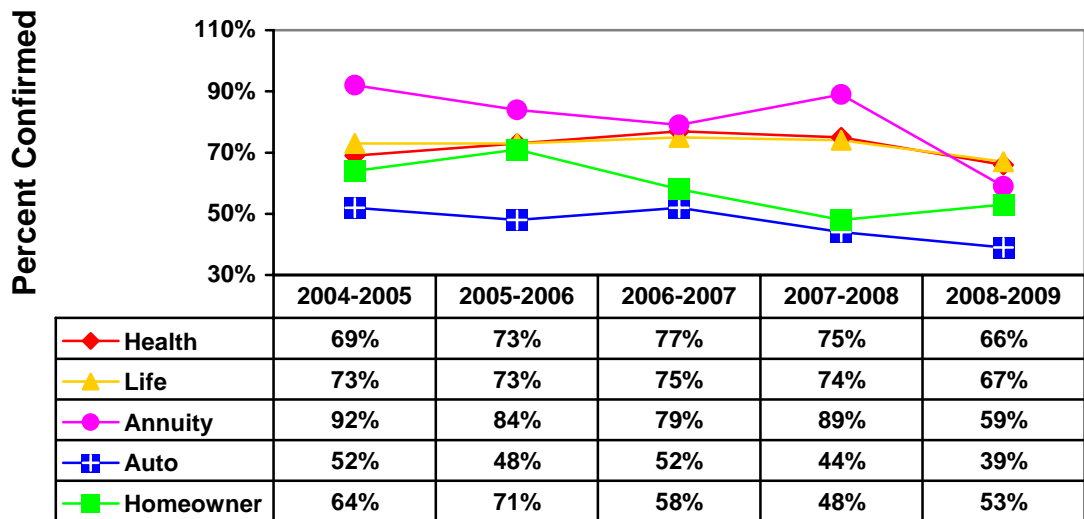


Percentages may not total 100% due to rounding.

Complaints Where the Company is Found to be in the Wrong

The Division of Insurance calculates the percentage of complaints in which the insurance company was found to be wholly or partially in violation of the law or its policy provisions. A confirmed complaint is one in which the Division upheld the consumer's position and found that the company had not complied with law, regulation or the policy's provisions.

Confirmed Complaints



Note: For this chart, auto complaints and auto protests are combined.

It is interesting to note that for the Health, Life and Annuity lines, the percentage of confirmed complaints has dropped. For annuities, in particular, the Division believes the drop is due to increased enforcement activities through market conduct exams and requiring consumer restitution for individual complaints during calendar years 2006 and 2007. As many companies writing annuities have a primary business of life insurance, the improvement in annuity compliance may be spilling over into the life insurance arena. For health coverage in FY08-09, in two out of three cases the Division finds a problem with the insurance carrier and in favor of the consumer.

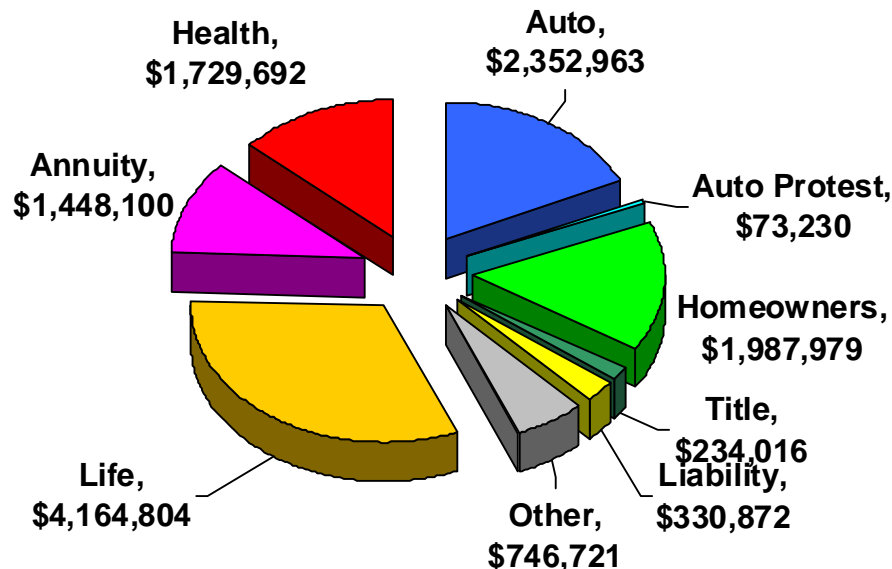
Overall, the trend for auto insurance complaints is down at 39 percent. However, when separated between complaints and protests, the story is much different. For auto protests, the confirmed rate is 21 percent, or in only one out of five cases is the consumer's protest upheld. In contrast, for general auto complaints, the confirmed percentage is similar to that for health complaints at 65 percent.

Recoveries for Consumers

In FY08-09, the work of Consumer Affairs resulted in recovered or additional benefits to consumers of more than \$13 million. This includes additional claim payments, overturned denials of benefits, reinstatements of coverage and in cancellation of policies with the return of consumers' money.

By line of insurance, the recoveries in FY08-09 were:

Consumer Recoveries by Type of Coverage FY08-09

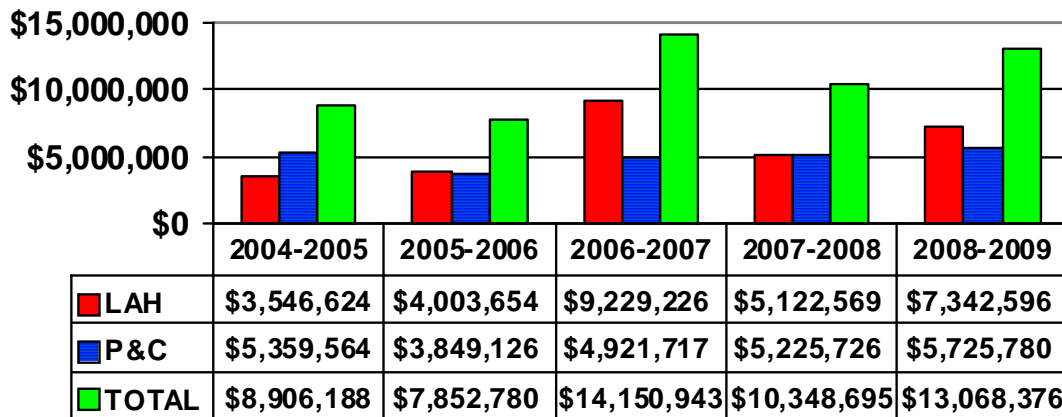


In addition to more than \$13 million in recoveries on individual complaints in FY08-09, an additional \$791,086 was recovered for consumers through self-audits ordered by the Division. When a consumer complaint reveals a systemic problem with an insurance company's claims handling process, the Division can require the company to conduct a self-audit of its records and pay additional sums to other consumers to correct

deficiencies identified in its investigation of consumer complaints and market conduct examinations.

The recoveries in FY06-07 were particularly high due to several actions involving unsuitable annuity sales. For many of these complaints, the Division of Insurance was able to have the annuity cancelled and the funds returned to the consumer. Due to the Division's investigation of these complaints and the work of its Market Regulation section, there was a decrease in the number of annuity complaints in FY07-08 and continuing into FY08-09.

Division of Insurance Consumer Affairs Recoveries For Consumers



In FY08-09, substantial recoveries in the life insurance arena occurred despite the relatively few number of complaints. This demonstrates the large dollar value of most disputes over life insurance coverage though there are fewer complaints and a consistent rate of confirmed complaints.

Recoveries by Type of Coverage and Confirmed Status

	% Complaints	% Confirmed	\$ Recovered	\$ per Complaint
Auto	25%	65%	\$2,352,963	\$1,982.27
Auto Protests	37%	21%	\$73,230	\$47.76
Homeowners	10%	53%	\$1,987,979	\$4,872.50
Liability	2%	44%	\$330,872	\$3,519.92
Annuity	1%	59%	\$1,448,100	\$37,130.77
Life	4%	67%	\$4,164,804	\$19,927.29
Health	18%	66%	\$1,729,692	\$1,849.94

The comparison of complaints in FY08-09 by type of coverage and proportions of complaints, confirmed complaints and recoveries shows the substantial differences between types of coverage. Historically, the Division has averaged about \$10 million in annual recoveries for consumers, but the recent trend seems to be for increased annual recoveries.

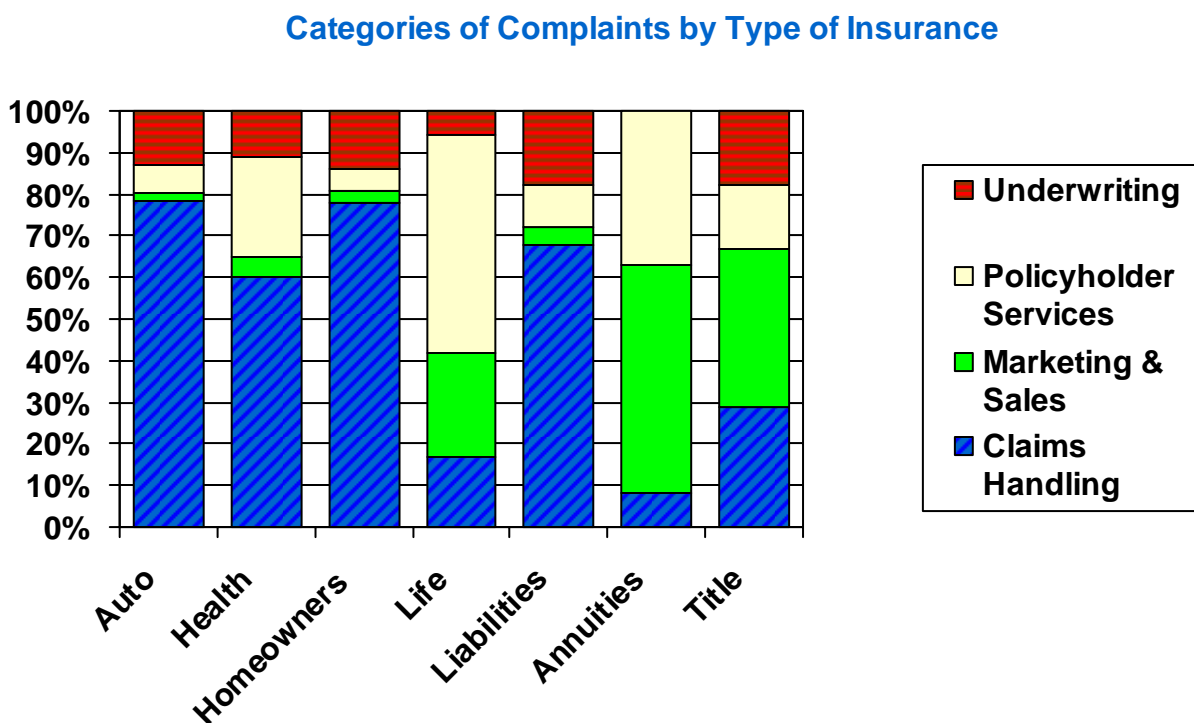
Categories of Complaints by Type of Insurance

Complaints are categorized into four major areas: Claims Handling (CH), Marketing and Sales (MS), Policyholder Services (PS), and Underwriting (UW).

For FY08-09, the top categories of complaints differed by the type of insurance.

- For auto insurance complaints, the top complaint category was Claim Handling, while for auto protests it is always Underwriting.
- For health insurance, it was Claims Handling.
- The top category for life insurance was Policyholder Services, while for annuities it was Marketing and Sales.

The following chart shows how the categories compare by type (line) of insurance:



The variance in categories across the different lines of insurance demonstrates that complaints tend to be lodged in particular areas of business operations.

Auto Complaints

Of the auto complaints (including auto protests), almost 97 percent involved private passenger auto, 2 percent commercial auto, with the remainder spread among motorcycle, motorhome, and rental insurance issues. Virtually all auto protests are private passenger auto. Excluding auto protests, private passenger auto complaints encompass over 93 percent of the auto complaints while commercial comprised 5 percent. Motorcycle and motorhome complaints represent approximately 2 percent of auto complaints.

Complaints often involve more than one issue and the major issues are categorized by the area of concern and the reason it was raised.

The following table shows top reasons for combined auto complaints and protests in FY08-09 as compared to previous years.

Top Ten Auto Complaint Reasons

	04-05	05-06	06-07	07-08	08-09
1. Premium and Rating (UW)	31%	34%	35%	32%	36%
2. Surcharge (UW)	14%	24%	7%	30%	15%
3. Credit Scoring (UW)	*	*	*	*	11%
4. Claims Delay (CH)	8%	7%	11%	9%	6%
5. Denial of Claim (CH)	8%	7%	10%	7%	5%
6. Unsatisfactory Settlement Offer (CH)	5%	4%	8%	7%	4%
7. Cancellation (UW)	5%	4%	4%	3%	3% ¹
8. Non-renewal (UW)	6%	4%	3%	3%	3% ¹
9. Liability Dispute – Property Damage (CH)	*	*	2%	2%	3% ¹
10. Comparative Negligence (CH)	*	2%	3%	2%	2%
Total Reasons	78%	87%	84%	96%	87%

¹ These reasons were ranked by the actual number of occurrences.

Note: **UW** signifies that the reason falls under the Underwriting category and **CH** is Claims Handling; (*) denotes the reason was not included in top ten reasons in that year.

Comparison of Reasons: Auto Complaints versus Protests

	Auto	08-09	Protests	08-09
1. Claims Delay (CH)		16%	Premium and Rating (UW)	53%
2. Denial of Claim (CH)		14%	Surcharge (UW)	22%
3. Unsatisfactory Settlement Offer (CH)		12%	Credit Scoring (UW)	17%
4. Liability Dispute – Property Damage (CH)		7%	Non-renewal (UW)	4%
5. Premium and Rating (UW)		6%	Cancellation (UW)	3%
Total Reasons		55%		100%

Note: **UW** signifies that the reason falls under the Underwriting category and **CH** is Claims Handling.

The Premium and Rating (Underwriting) percentages increased this year because of the increase in auto protests. One particular insurance company began using credit-based insurance scoring in 2008 which resulted in the increased percentage of complaints citing Premium and Rating and Credit Scoring as reasons. Additionally, in accordance with Colorado Revised Statute 10-4-116 on credit based insurance scoring, several of the insurance companies have come up on the three year cycle and have begun reordering credit-based insurance scores.

When investigating complaints against insurance companies, the Division cannot make determinations in individual cases as to liability disputes and comparative negligence other than to ensure that the insurance company has performed a reasonable investigation and has followed its claims handling procedures. Determination of liability and the application of comparative negligence ultimately require a judicial determination when disputed.

The Division also tracks and categorizes the topics of inquiries it receives. For FY08-09, the leading inquiry topics for auto insurance were claim issues and underwriting.

Health Insurance

For health insurance, a little more than half the complaints (57 percent) concern individual health insurance, and 42 percent involve group health coverage, which is a change from last year when the Division had received more group health insurance complaints. Only about 1 percent of complaints involve credit (usually disability) insurance. For health, the top complaint reasons over the years have been:

Top Ten Health Complaint Reasons					
	04-05	05-06	06-07	07-08	08-09
1. Denial of Claim (CH)	28%	21%	21%	21%	26%
2. Claim Delay (CH)	11%	11%	18%	17%	13%
3. Premium Notice & Billing (PS)	2%	3%	3%	2%	7%
4. Premium & Rating (UW)	6%	5%	5%	7%	6%
5. Coverage Question (PS)	3%	4%	5%	5%	5%
6. Other (CH)	*	*	*	5%	3% ¹
Unsatisfactory Settlement Offer (CH)	7%	8%	7%	5%	3%
7. Information Requested (PS)	1%	2%	1%	2%	3% ¹
8. Premium Refund (PS)	4%	4%	4%	3%	2% ¹
9. Misrepresentation (MS)	*	*	*	*	2% ¹
10. Delays – No Response (PS)	*	*	*	*	2% ¹
Total Reasons	62%	58%	64%	67%	72%

¹ These reasons were ranked by the actual number of occurrences.

Note: UW signifies that the reason falls under the Underwriting category; CH is Claims Handling; PS is Policyholder Services; and MS is Marketing and Sales.

(*) denotes the reason was not included in top ten reasons in that year.

Health insurance products can vary significantly in the type of conditions, services and procedures covered by each type of policy and in the level of the benefits provided. These variances are particularly true with the advent of high-deductible health benefit plans requiring higher dollar amounts of patient responsibility for costs before the insurance coverage takes effect and limited benefit plans, or “mini-meds,” with substantial consumer confusion over what is and is not covered under the policy.

Many consumers contact the Division with complaints against their employer’s self-funded health plan. Federal ERISA¹ law governs most employer self-funded plans. Because the Division does not have jurisdiction over complaints involving most self-funded plans, the consumer is referred to the employer’s Human Resources office and the U.S. Department of Labor. These referrals are not included in the complaint statistics in this report.

Claim issues were the leading area of inquiries by consumers about health coverage with coverage/benefits and continuation/COBRA² issues also being significant reasons for contacting the Division.

¹ An ERISA health plan that is self-funded is one where the employer provides the funds for health care benefits and determines benefit levels. ERISA stands for the federal Employee Retirement Income Security Act which covers a wide range of employee benefit plans.

² COBRA is used to describe a health insurance plan which allows an employee who leaves a company to continue to be covered by the company’s health plan, for a certain period of time and under certain conditions. The acronym “COBRA” is from the federal Consolidated Omnibus Reconciliation Act, which gives workers and their families who lose their health benefits the right to choose to continue group health benefits under specific guidelines.

Homeowners Insurance

For homeowners insurance, 90 percent of complaints involved regular homeowners insurance, 5 percent concerned condominium or townhouse coverage, with renters/tenants complaints at 4 percent and farm insurance at 3 percent of the complaints lodged with the Division.

For FY08-09, the homeowners complaint reasons compared to prior years were:

Top Ten Homeowners Complaint Reasons

	<i>04-05</i>	<i>05-06</i>	<i>06-07</i>	<i>07-08</i>	<i>08-09</i>
1. Denial of Claim (CH)	24%	16%	26%	24%	18%
2. Unsatisfactory Settlement Offer (CH)	14%	11%	13%	11%	15%
3. Adjuster Handling (CH)	*	*	*	*	14%
4. Delay (CH)	9%	9%	13%	15%	11%
5. Liability Dispute/Property Damage (CH)	*	*	*	5%	6%
6. Premium & Rating (UW)	8%	9%	8%	6%	5%
7. Cancellation (UW)	8%	5%	6%	5%	4%
8. Adjuster Not Responding (CH)	*	*	*	*	3% ¹
9. Liability Dispute (CH)	*	*	*	*	3% ¹
Non-renewal (UW)	7%	4%	3%	3%	3%
10. Value Dispute (CH)	*	*	*	*	2%
Total Reasons	70%	54%	69%	69%	84%

¹ These reasons were ranked by the actual number of occurrences.

Note: UW signifies that the reason falls under the Underwriting category; CH is Claims Handling; PS is Policyholder Services; and MS is Marketing and Sales.

(*) denotes the reason was not included in the top ten reasons that year.

Liability Dispute complaints generally include complaints from condominium and/or townhome owners. The complaints involve damage to one unit caused by another unit owner. For example, if a bathtub overflows, the unit below may suffer damage. These types of complaints may also be received from single family homeowner policyholders, but are less common.

The majority of consumer inquiries about homeowners insurance focused on claims issues followed by underwriting concerns.

It is believed the Unsatisfactory Claim Settlement and Adjuster Handling reasons increased because of storm activity during FY08-09. Specifically, the Weld County storms and Windsor tornado resulted in complaints involving these reasons.

Liability Insurance

For liability insurance, 80 percent of the complaints involved general liability and 13 percent involved professional errors & omissions coverage (which includes medical, legal, accounting and other professional malpractice coverage). Directors and Officers and umbrella liability each were 2 percent of the complaints.

Top Ten Liability Complaint Reasons

	08-09
1. Denial of Claim (CH)	21%
2. Delay (CH)	15%
3. Premium & Rating (UW)	10%
4. Adjuster Handling (CH)	8%
Liability Dispute(CH)	8%
5. Unsatisfactory Settlement Offer (CH)	7%
6. Liability Dispute/Property Damage (CH)	5%
7. Premium Notice & Billing (PS)	4%
8. Premium Refund (PS)	3%
Other (UW)	3%
9. Agent Handling (MS)	2% ¹
Non-renewal (UW)	2%
10. Adjuster Not Responding (CH)	2% ¹
Cancellation (UW)	2% ¹
Total Reasons	92%

¹ These reasons were ranked by the actual number of occurrences.

Note: UW signifies that the reason falls under the Underwriting category; CH is Claims Handling; PS is Policyholder Services; and MS is Marketing and Sales.

Denial and delay of claims comprised more than a third of the complaints for liability insurance. As for other types of insurance, the Division cannot make determinations in individual cases as to liability disputes and comparative negligence other than to ensure that the insurance company has performed a reasonable investigation and has followed its claims handling procedures.

Determination of liability and the application of comparative negligence ultimately require a judicial determination when disputed.

Life Insurance

Eighty-nine percent of life insurance complaints involve individual life policies, with group life being 8 percent and credit life insurance making up the balance (3 percent).

Reasons for life insurance complaints, in order of frequency, for FY08-09 and previous years were:

Top Ten Life Insurance Complaint Reasons

	04-05	05-06	06-07	07-08	08-09
1. Delay (CH)	5%	5%	4%	6%	10%
Information Requested (PS)	12%	14%	14%	11%	10%
2. Premium Notice & Billing (PS)	*	*	*	*	8%
3. Misrepresentation (MS)	5%	4%	6%	11%	7% ¹
4. Delays/No Response (PS)	*	*	*	5%	7% ¹
5. Coverage Question (PS)	*	*	*	*	6% ¹
6. Denial of Claim (CH)	5%	4%	4%	6%	6% ¹
Other (PS)	*	*	*	*	6%
7. Suitability (MS)	3%	4%	3%	4%	5%
8. Agent Handling (MS)	*	*	*	*	4% ¹
Cash Value (PS)	9%	9%	7%	6%	4%
9. Premium Refund (PS)	6%	7%	9%	8%	4% ¹
10. Surrender Problems (PS)	*	*	*	*	3%
Total Reasons	45%	47%	47%	57%	80%

¹ These reasons were ranked by the actual number of occurrences.

Note: **UW** signifies that the reason falls under the Underwriting category; **CH** is Claims Handling; **PS** is Policyholder Services; and **MS** is Marketing and Sales.

(*) denotes the reason was not included in the top ten reasons for that year.

The greatest change in life insurance complaints was the increase in misrepresentation complaints in FY07-08 over prior years. However, in FY08-09, claims handling delays and policyholder service issues of premium notices/billing and requesting information predominated.

Inquiries in the life insurance arena focused on claims issues closely followed by how to locate a company, company standing and coverage and benefits.

Annuities

Annuities are generally sold by life insurance companies. The majority of complaints involved Marketing and Sales, followed by Policyholder Services. There were minimal Claims Handling and no Underwriting complaints for annuities due to the nature of the product.

The following table shows primary reasons for annuity complaints for past four years.

Top Ten Annuity Complaint Reasons

	04-05	05-06	06-07	07-08	08-09
1. Misrepresentation (MS)	11%	16%	27%	31%	20%
2. Suitability (MS)	14%	32%	25%	24%	18%
3. Agent Handling (MS)	17%	18%	7%	3%	10%
Delays/No Response (PS)	*	*	2%	6%	10%
4. Cash Value (PS)	*	*	*	*	8%
Surrender Problems (PS)	10%	3%	4%	5%	8%
5. Information Requested (PS)	*	*	*	*	6%
6. Delay (CH)	1%	3%	2%	3%	4%
Churning (MS)	*	*	*	*	4%
7. Unsatisfactory Settlement Offer (CH)	*	*	*	*	2%
Value Dispute (CH)	*	*	*	*	2%
High Pressure Tactics (MS)	*	2%	5%	3%	2%
Replacement Annuities (MS)	*	*	*	*	2%
1035 Exchange (PS)	*	*	*	*	2%
Other (PS)	8%	2%	*	6%	2%
Premium Refund (PS)	7%	4%	5%	2%	2%
Total Reasons	68%	80%	77%	83%	102%

Total exceeds 100% due to rounding.

Note: UW signifies that the reason falls under the Underwriting category; CH is Claims Handling; PS is policyholder Services; and MS is Marketing and Sales.

(*) denotes a reason that was not included in that year's top ten reasons.

Several of the complaint reason codes for annuities are interrelated. Misrepresentation complaints often involved failure to disclose surrender charges, which are also related to suitability complaints. Surrender charges are penalties for cancelling a policy.

Agent handling and high pressure tactics are similarly related and many complaints could be coded under either or both codes. Inquiries to the Division about annuities similarly focused on marketing issues and particularly company standing in the state.

In recent years, the predominant regulatory issues over annuity sales have involved producer sales of products that are inappropriate or unsuitable for the consumers purchasing these products. The Division has pursued action against both producers and the companies issuing the annuities when resolving these complaints.

Title Insurance

In FY08-09, consumer complaints against title insurance companies represented 1.4 percent of all complaints filed with the Division.

For title complaints, the major consumer issues were:

Top Ten Title Insurance Complaint Reasons

	04-05	05-06	06-07	07-08	08-09
1. Other (MS)	30%	11%	13%	26%	33%
2. Denial of Claim (CH)	*	*	7%	4%	13%
Other (PS)	10%	4%	4%	10%	13%
3. Other (UW)	*	2%	1%	8%	10%
4. Adjuster Not Responding (CH)	*	*	*	*	6%
Pre-ownership Underwriting (UW)	*	*	*	*	6%
5. Adjuster Handling (CH)	*	*	*	3%	4%
Delay (CH)	3%	4%	3%	7%	4%
6. Fiduciary (MS)	*	*	*	*	3%
Delay (UW)	*	2%	1%	8%	3%
Delays/No Response (PS)	*	*	*	*	3%
7. Other (CH)	*	*	*	*	1%
Value Dispute (CH)	*	*	*	*	1%
Delay (MS)	*	*	*	3%	1%
Total Reasons	43%	23%	29%	69%	101%

Total exceeds 100% due to rounding

Note: UW signifies that the reason falls under the Underwriting category; CH is Claims Handling; PS is Policyholder Services; and MS is Marketing and Sales.

(*) denotes the reason was not included in the top ten reasons for that year.

Title insurance is a unique line of business. Because of this, the issues raised in title insurance complaints are not as easily categorized into the coding scheme used for all lines of insurance. Examples of the “Other” complaints for Marketing and Sales of title insurance (the top reason code above) include earnest money disputes and rate disclosure issues. In the Policyholder Service category, “Other” (number 2 above) includes an agent’s failure to follow written closing instructions and failure to timely release liens.

Underwriting “Other” (number 3 above) complaint reasons encompass errors in the search and examination process (failure to find a pre-existing lien or encumbrance) and issuing title without fully disclosing impairments of record to the consumer.

2008 Complaint Ratio and Complaint Index Reports

The Division of Insurance provides another valuable resource, using complaint statistics, to help consumers differentiate between carriers when comparing and selecting insurance. The 2008 Complaint Ratio and Complaint Index Reports for the major lines (including auto, life, annuity, health and homeowners insurance), identify by company and by market share the number of complaints lodged and found to be confirmed.

The 2008 Complaint Ratio and Complaint Index Reports provide consumers with information about the number of complaints and questions lodged against the various insurance companies and health carriers. The Division of Insurance provides statistics on complaints against insurers and health carriers on a calendar-year basis.

Complaint ratios indicate the number of complaints per million dollars of premium. The complaint index calculation compares each company's complaint count against the rest of the industry to show whether each company has better-than-average or worse-than-average total complaint counts, taking into consideration the size of the company.

Standard reports are available for the major consumer lines – Auto, Health, HMO, Life, Annuity, and Homeowners insurance – listing all carriers with at least five complaints or a marketshare of at least 0.10 percent.

The interactive reports provide information on the same lines of insurance, but include carriers with fewer than five complaints and less than 0.10 percent marketshare. These interactive reports permit searches by line of business or company name. The results can be sorted on the web by *premium written, market share, total complaints, confirmed complaints, complaint ratio and complaint index*, and the results may be downloaded into a spreadsheet.

The online and interactive 2008 Complaint Ratio and Complaint Index Reports are available on the Division of Insurance website, www.dora.state.co.us/insurance, or directly at http://www.dora.state.co.us/pls/real/Ins_Comp_Ratio_Report.Home.

The Colorado Division of Insurance is located in the Colorado Department of Regulatory Agencies (DORA) and is charged with regulation of the state's insurance industry, as well as assisting consumers and other stakeholders with insurance issues.

Division of Insurance staff responds annually to telephone calls, e-mails, letters, and walk-in visits from consumers, providing information and education to consumers, and investigating consumer complaints.

The Division performs both market conduct and financial examinations on insurance companies licensed to conduct business in the state. The exams determine compliance with Colorado insurance laws by identifying violations and ensuring company solvency.

The Division of Insurance provides tips, statistics, comparison guides and other education materials to help consumers compare companies and options and make informed decisions about insurance purchases.

*DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado.
Consumer protection is our mission.*

