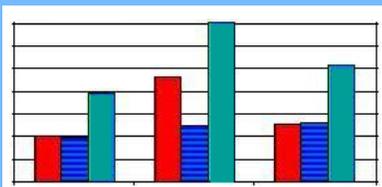
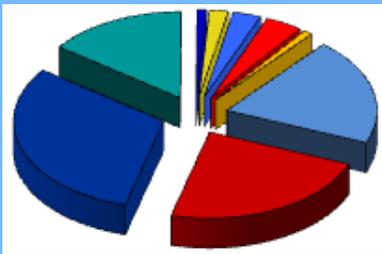
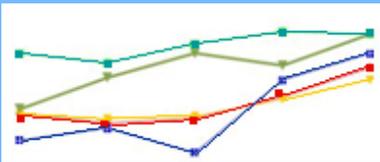




# Dora

Department of Regulatory Agencies

Division of Insurance



Annual Report of the  
Commissioner of Insurance  
to  
The Colorado General Assembly

# Complaints Against Insurers FY 2009-2010

October 1, 2010



**Dora**  
Department of Regulatory Agencies

**Division of Insurance**  
Marcy Morrison  
Commissioner of Insurance

Bill Ritter, Jr.  
Governor

Barbara J. Kelley  
Executive  
Director

October 1, 2010

Dear Committee Members,

I am pleased to submit the FY2009-2010 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 2009 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](http://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 2009-2010

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# Executive Summary

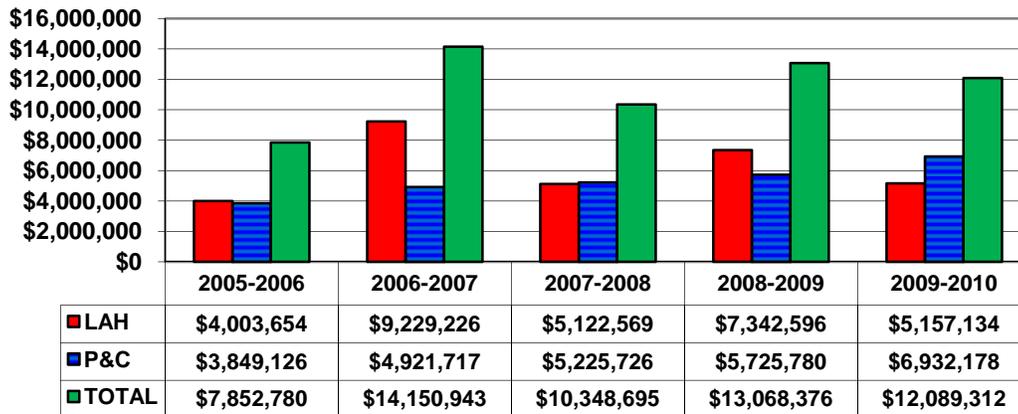
This report is submitted to the Colorado General Assembly to fulfill the requirements of Colorado Revised Statutes § 10-16-128 for an annual report on the number, nature, and outcome of complaints against insurers during the preceding 12 months.

The Division of Insurance (Division) has 17 staff dedicated to assisting consumers with complaints against insurance companies, and responding to questions about insurance issues. In Fiscal Year 2009-2010 (FY09-10), these staff logged over 22,000 incoming consumer telephone calls, over 3,500 consumer e-mails, and hundreds of pieces of correspondence from consumers with questions and issues about insurance coverage. Of these communications, 4,793 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](http://www.dora.state.co.us/insurance).

Complaints are received on all lines of insurance. The greatest proportion of complaints involved auto insurance (23 percent) and protests of auto insurance cancellation, nonrenewal, reduction of coverage or surcharge (31 percent). Health coverage accounted for 20 percent of complaints, while homeowners insurance represented 15 percent. No other type of insurance represented more than 5 percent of the total complaints.

In Fiscal Year 2009-2010, the Division recovered more than \$12 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.

The reasons consumers file complaints vary for each major line of insurance. The “top ten” reasons for complaints, for each line, are shown on pages 17 through 25 of this report. The table on the next page indicates the most common reason consumers voiced complaints for each line, or type, of insurance.

## Top Complaint Reasons for Major Types (Lines) of Insurance FY09-10

<b>Auto Insurance (including Auto Protests):</b>	<b>Premium and Rating (Underwriting)</b>
<b>Health Insurance:</b>	<b>Denial of Claim (Claims Handling)</b>
<b>Homeowners Insurance:</b>	<b>Denial of Claim (Claims Handling)</b>
<b>Life Insurance:</b>	<b>Information Requested (Policyholder Service)</b>
<b>Liability:</b>	<b>Denial of Claim (Claims Handling)</b>
<b>Annuities:</b>	<b>Misrepresentation (Marketing and Sales)</b>
<b>Title Insurance:</b>	<b>Delay (Marketing and Sales)</b>

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” when the Division's investigation indicates a violation of law, regulation or disregard for policy provisions.

In the past for 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 this past fiscal year, there was reduction in the proportion of confirmed complaints for the major lines comprising the Life, Accident and Health area.

- For health insurance complaints, the confirmed rate is 54 percent;
- For life insurance, the confirmed rate is 59 percent;
- For annuities, the confirmed rate is at 48 percent.

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

- For auto insurance, the rate of confirmed complaints is 59 percent (excluding auto protests), including auto protests it is 40 percent;
- For homeowners insurance, the confirmed complaint rate is 40 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](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, Colorado Revised Statutes § 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 (LAH)
- Consumer Affairs – Property and Casualty (P&C)
- 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, 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:

- More than 26,000 contacts in FY09-10<sup>1</sup>
- 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 employer health plans and

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<sup>1</sup> During FY09-10, the Senior Health Insurance Program telephone call queue was separated from the Life and Health, and Property and Casualty queues, which accounts for the majority of the reduction in FY09-10 over previous years.

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:

- An analyst from Consumer Affairs is assigned to review the complaint and to conduct an investigation.
- The assigned analyst 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 analyst:

- 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/or 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. A spike in consumer complaints against a specific company may trigger other Division action, including a market conduct examination of the company.

When the outcome of the complaint shows the company acted appropriately, Consumer Affairs staff work to educate consumers to understand their policies, 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. The Division's goal is to have 85 percent of complaints resolved in 90 days. In Fiscal Year 2009-2010, approximately 85 percent of consumer complaints were resolved within 90 days, and 91 percent were resolved within 120 days.

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.

**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?	Satisfactory	Unsatisfactory	
3. How would you rate your DOI analyst's professionalism?	Excellent	Unsatisfactory	
4. Did your DOI analyst address all of your concerns?	Satisfactory	No	
5. How adequately were your concerns responded to by your DOI analyst?	Excellent	Satisfactory	Unsatisfactory

**SUGGESTIONS OR COMMENTS:** \_\_\_\_\_

In FY09-10, there were 3,166 cards mailed to consumers and 1,089 were returned for a 34% return rate. Of those returned, more than 56 percent of the cards rated the Division's work as "excellent" on at least one criteria and another 34 percent as satisfactory. 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](http://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.

# Complaint Analysis and Trends

## Numbers of Complaints

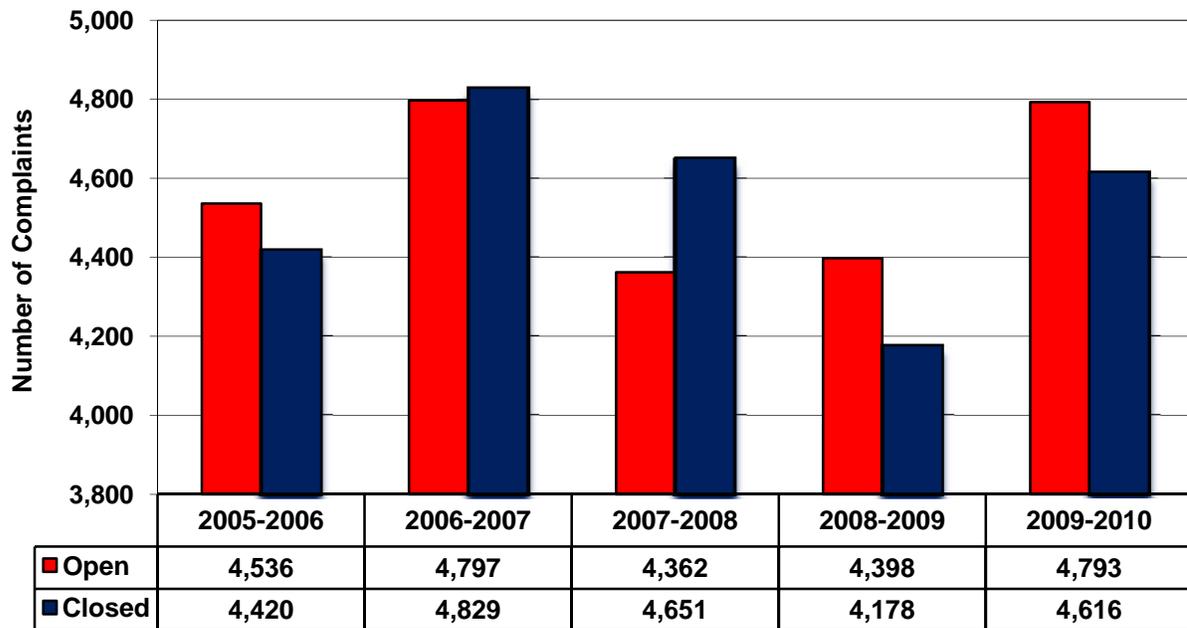
In FY09-10, the Consumer Affairs section handled complaint files as follows:

	Life, Accident and Health	Property and Casualty	Auto Protests	Total
<b>Opened Complaints</b>	1,211	2,161	1,421	4,793
<b>Closed Complaints</b>	1,127	2,039	1,450	4,616

\*Closed complaints for FY09-10 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:

- Complaints were up in FY09-10 for both the Life, Accident and Health area and the Property and Casualty area;
- For FY09-10, complaints on health plan premium rates increased 62% over the previous year.

## Trends in Percentage of Complaints by Type of Coverage

### Proportion of Complaints by Policy Type

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
<b>Auto Protests</b>	26.9%	25.8%	25.6%	36.7%	31.4%
<b>Auto</b>	28.2%	25.8%	26.9%	24.6%	23.4%
<b>Health</b>	25.6%	29.0%	26.1%	18.0%	19.5%
<b>Homeowner</b>	7.1%	7.1%	9.3%	9.5%	15.0%
<b>Life</b>	4.5%	4.8%	5.0%	4.4%	3.8%
<b>Other (combined)</b>	2.5%	3.1%	2.4%	2.5%	2.7%
<b>Liability</b>	1.1%	1.4%	1.7%	2.1%	2.0%
<b>Title</b>	2.4%	1.2%	1.3%	1.4%	1.2%
<b>Annuity</b>	1.7%	1.8%	1.6%	0.8%	1.1%

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 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.

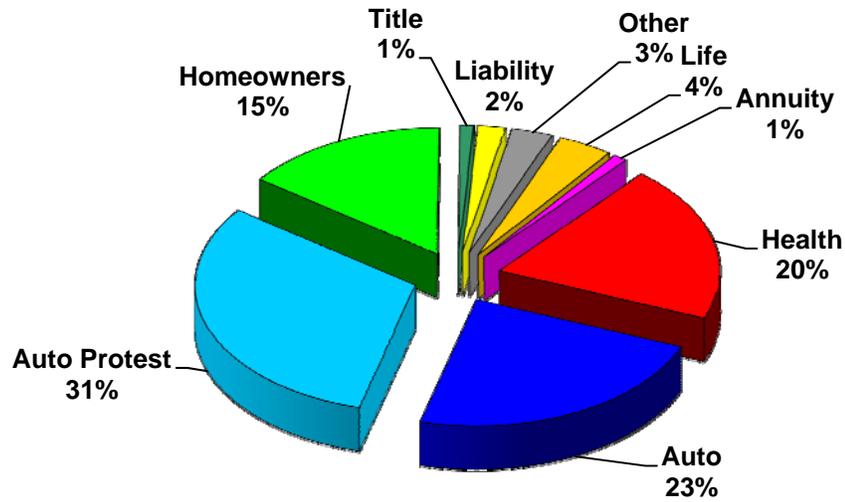
Health insurance complaints peaked in FY06-07 and the Division attributes this spike to the problems of one large carrier with its claims computer system conversion. The Division does, however, anticipate an increasing number of complaints as the health reform enacted by Congress in 2010 takes effect. Harmonization of state statutes and regulations with the federal law will require action by the Colorado General Assembly. When there are substantial changes in state and federal law, the Division has historically seen an increasing number of consumer complaints lodged with us.

Homeowner complaints increased in the past year and the increase is most likely due to two circumstances – an increase in weather-related losses (the severe hail and thunderstorms during the summers of 2009 and 2010) 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 (3 complaints) and travel insurance (11 complaints), federal crop (4 complaints) and flood (1 complaint), commercial property (38 complaints), and issues of classification under worker's compensation coverage (12 complaints). For Life, Accident and Health, the "Other" category includes primarily credit insurance (1 complaint). Service warranties are not considered to be insurance and are not included in these statistics. Together these "other" complaints comprise 2.7 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 FY09-10**

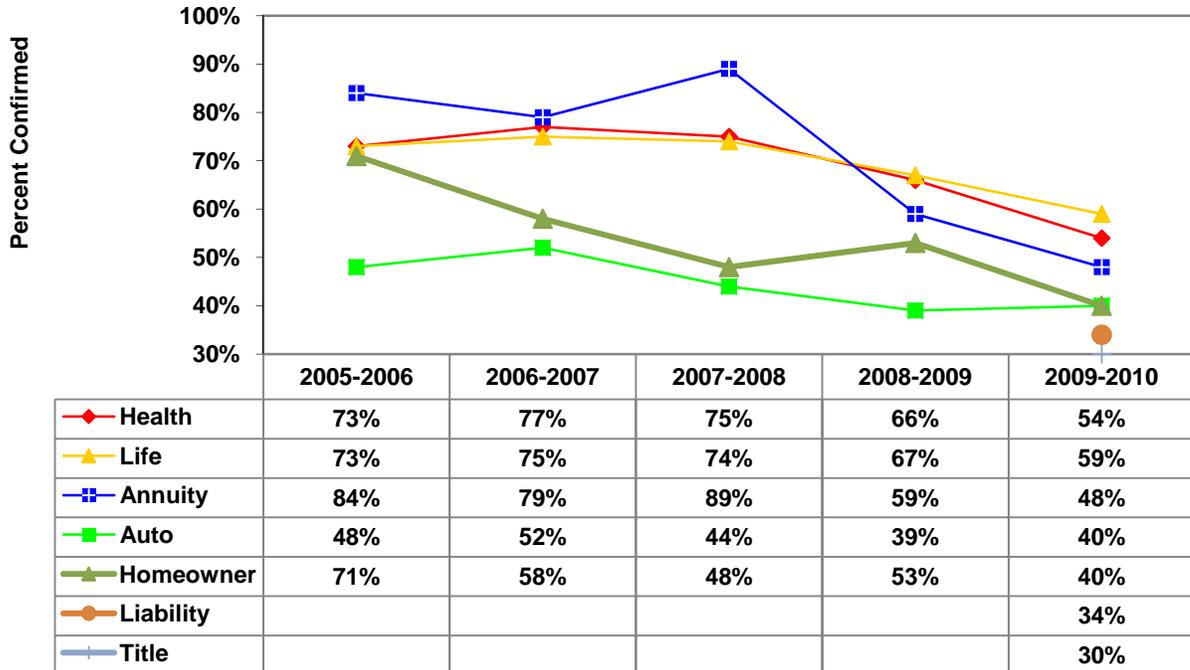


*Percentages may not total 100% due to rounding.*

## 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.

For the Health, Life and Annuity lines, the percentage of confirmed complaints has continued to drop. 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 FY09-10, the percentage of time that the Division has found a violation of law, regulation or policy provision has continued to drop to 54% from the high of 77% in FY06-07.

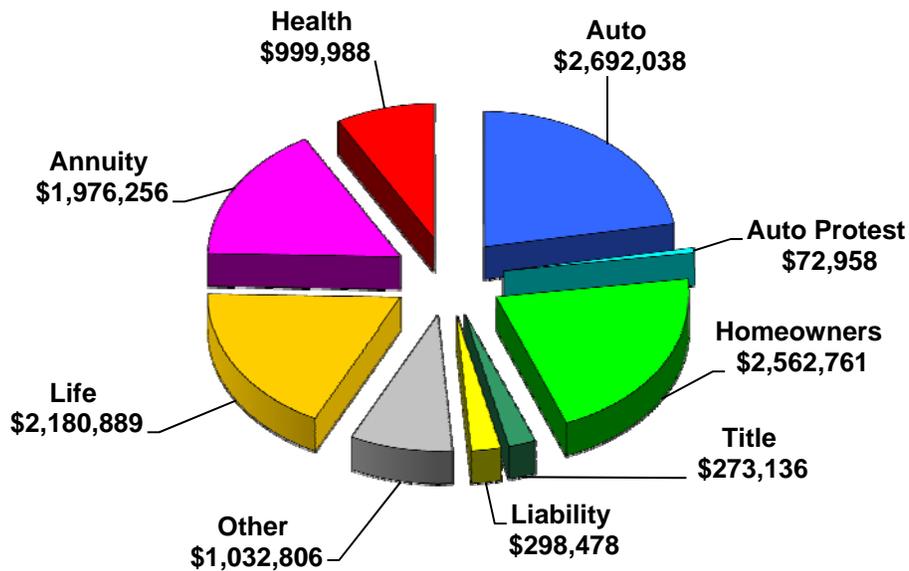
Overall, the trend for auto insurance complaints when combined with protests is relatively stable at 40 percent. However, when separated between complaints and protests, the story is much different. For auto protests, the confirmed rate is 25 percent, or in only one out of four cases is the consumer's protest upheld. In contrast, for general auto complaints, the confirmed percentage is 59 percent.

## Recoveries for Consumers

In FY09-10, the work of Consumer Affairs resulted in recovered or additional benefits to consumers of more than \$12 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 FY09-10 were:

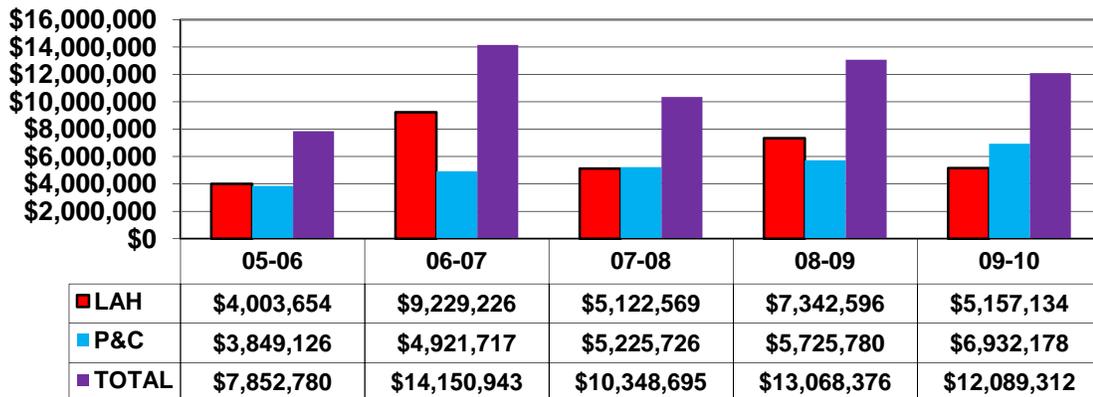
### Consumer Recoveries by Type of Coverage FY09-10



The "Other" category recovery was higher this year due to a single Federal Crop Insurance recovery in excess of \$600,000.

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.

### Division of Insurance Consumer Affairs Recoveries For Consumers



In FY09-10, as in many prior years, substantial recoveries in the life insurance and annuities arenas occurred despite the relatively few number of complaints. This demonstrates the large dollar value of most disputes over life insurance coverage and annuities though there are fewer complaints and a consistent rate of confirmed complaints.

#### Recoveries by Type of Coverage and Confirmed Status

	% Complaints	% Confirmed	\$ Recovered	Avg. \$ per Complaint
Auto	23%	59%	\$2,692,038	\$2,494.94
Auto Protests	31%	25%	\$72,958	\$50.32
Homeowners	15%	40%	\$2,562,761	\$3,708.77
Liability	2%	34%	\$298,478	\$3,279.98
Annuity	1%	48%	\$1,976,256	\$38,004.92
Life	4%	59%	\$2,180,889	\$12,462.22
Health	20%	54%	\$999,988	\$1,112.33

The comparison of complaints in FY09-10 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

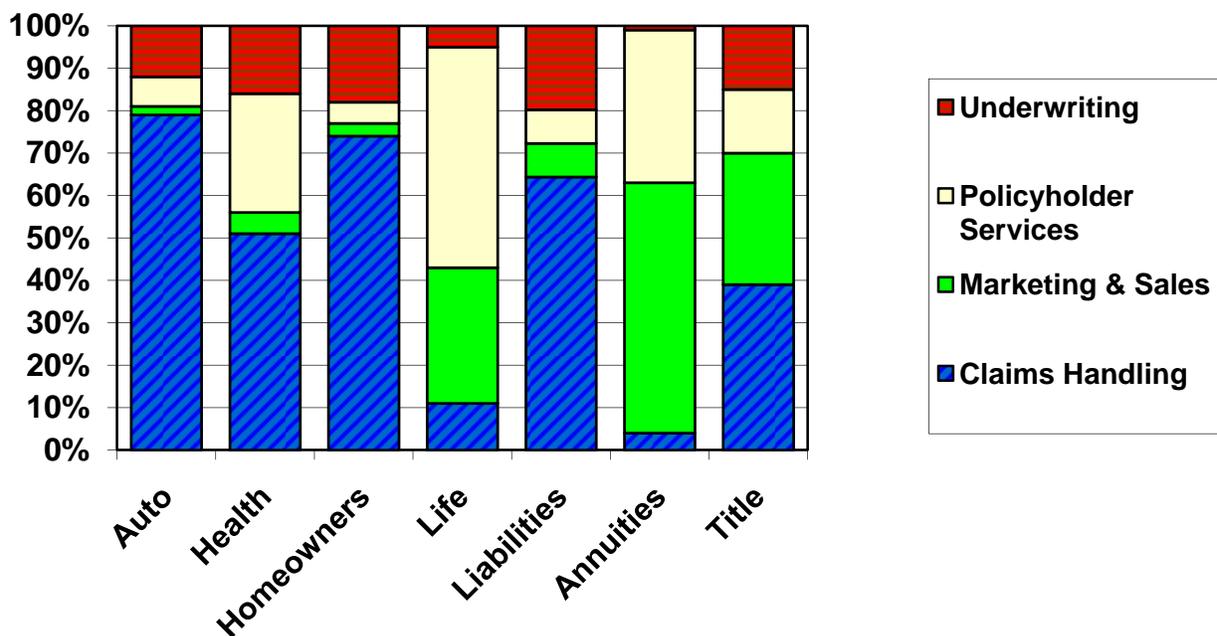
Complaints are categorized into four major areas: Claims Handling (CH), Marketing and Sales (MS), Policyholder Services (PS), and Underwriting (UW).

For FY09-10, the top categories of complaints differed by the type of insurance.

- For auto insurance complaints, the top complaint category was Claims 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:

### Categories of Complaints by Type 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, almost 92 percent involved private passenger auto, five percent commercial auto, with the remainder spread among motorcycle, motorhome, and rental insurance issues. Motorcycle and motorhome complaints represent approximately 2.5 percent of auto complaints. Virtually all auto protests are private passenger auto.

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 FY09-10 as compared to previous years.

### Top Ten Auto Complaint Reasons

	05-06	06-07	07-08	08-09	09-10
1. <b>Premium and Rating (UW)</b>	34%	35%	32%	36%	33%
2. <b>Surcharge (UW)</b>	24%	7%	30%	15%	21%
3. <b>Credit Scoring (UW)</b>	*	*	*	11%	8%
4. <b>Claims Delay (CH)</b>	7%	11%	9%	6%	6%
5. <b>Denial of Claim (CH)</b>	7%	10%	7%	5%	5%
6. <b>Unsatisfactory Settlement Offer (CH)</b>	4%	8%	7%	4%	4%
7. <b>Liability Dispute – Property Damage (CH)</b>	*	2%	2%	3%	3%
8. <b>Non-renewal (UW)</b>	4%	3%	3%	3%	3%
9. <b>Liability Dispute (CH)</b>	*	*	*	*	2%
10. <b>Adjuster Handling (CH)</b>	*	*	*	*	1%
<b>Percent of Total Reasons</b>	<b>80%</b>	<b>76%</b>	<b>90%</b>	<b>83%</b>	<b>86%</b>

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	09-10	Protests	09-10
1.	<b>Claims Delay (CH)</b>	18%	<b>Premium and Rating (UW)</b>	48%
2.	<b>Denial of Claim (CH)</b>	14%	<b>Surcharge (UW)</b>	32%
3.	<b>Unsatisfactory Settlement Offer (CH)</b>	12%	<b>Credit Scoring (UW)</b>	13%
4.	<b>Liability Dispute – Property Damage (CH)</b>	10%	<b>Non-renewal (UW)</b>	5%
5.	<b>Premium and Rating (UW)</b>	7%	<b>Cancellation (UW)</b>	2%
	<b>Percent of Total Reasons</b>	<b>61%</b>		<b>100%</b>

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

The Premium and Rating and Credit Scoring percentages decreased slightly this fiscal year. Colorado Revised Statute 10-4-116 requires insurers using credit-based insurance scoring to re-order the consumer's score every three years. If the re-order results in an increased premium the insurer is required to send a notice of protest to the consumer (see Colorado Revised Statutes § 10-4-629). Many of the large insurers had re-ordered the credit-based insurance scores during FY08-09; as so many companies had reviewed credit scores last fiscal year, there was a decrease in those protests this year.

Most, if not all, auto insurers use some type of credit-based insurance score factor as a part of the rate. However, consumers do not understand the correlation of their credit to whether they have an accident (in automobile insurance). To obtain a better understanding of the use of credit information, the Division of Insurance conducted a study of credit-based insurance scoring in 2009. The Division documented the results of this study in a final report issued on January 7, 2010. The Division concluded that there is some middle ground in the battle to use, or not use, credit-based insurance scores. A copy of the final report can be found at <http://www.dora.state.co.us/insurance/pb/pb.htm> under Reports and Statistics.

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.

## Health Insurance

For health insurance, more than half the complaints (62 percent) concern individual health insurance, and 38 percent involve group health coverage. Only about one percent of complaints involve credit (usually disability) insurance. For health, the top complaint reasons over the years have been:

### Top Ten Health Complaint Reasons

	05-06	06-07	07-08	08-09	09-10
1. Denial of Claim (CH)	21%	21%	21%	26%	24%
2. Premium Notice & Billing (PS)	3%	3%	2%	7%	10%
3. Premium & Rating (UW)	5%	5%	7%	6%	10%
4. Claim Delay (CH)	11%	18%	17%	13%	10%
5. Coverage Question (PS)	4%	5%	5%	5%	5%
6. Premium Refund (PS)	4%	4%	3%	2%	5%
7. Unsatisfactory Settlement Offer (CH)	8%	7%	5%	3%	3%
8. Copay (CH)	*	*	*	*	3%
9. Information Requested (PS)	2%	1%	2%	3%	2%
10. Other (CH)	*	*	5%	3%	2%
Refusal to Insure (UW)	*	*	*	*	2%
Balance Bill (CH)	*	*	*	*	2%
<b>Percent of Total Reasons</b>	<b>58%</b>	<b>64%</b>	<b>67%</b>	<b>68%</b>	<b>78%</b>

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 health conditions, services and procedures covered by each type of policy and in the level of the benefits provided. These variances are particularly true with 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 ERISA<sup>2</sup> 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/COBRA<sup>3</sup> issues also being significant reasons for contacting the Division.

<sup>2</sup> 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.

<sup>3</sup> 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, 89 percent of complaints involved regular homeowners insurance, five percent concerned condominium or townhouse coverage, with renters/tenants complaints at three percent of the complaints lodged with the Division.

For FY09-10, the homeowners complaint reasons compared to prior years were:

### Top Ten Homeowners Complaint Reasons

		<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>
1.	<b>Denial of Claim (CH)</b>	16%	26%	24%	18%	25%
2.	<b>Unsatisfactory Settlement Offer (CH)</b>	11%	13%	11%	15%	16%
3.	<b>Delay (CH)</b>	9%	13%	15%	11%	9%
4.	<b>Liability Dispute/Property Damage (CH)</b>	*	*	5%	6%	8%
5.	<b>Non-renewal (UW)</b>	4%	3%	3%	3%	7%
6.	<b>Adjuster Handling (CH)</b>	*	*	*	14%	6%
7.	<b>Premium &amp; Rating (UW)</b>	9%	8%	6%	5%	5%
8.	<b>Cancellation (UW)</b>	5%	6%	5%	4%	4%
9.	<b>Adjuster Not Responding (CH)</b>	*	*	*	3%	2%
10.	<b>Value Dispute (CH)</b>	*	*	*	2%	2%
	<b>Total Reasons</b>	<b>54%</b>	<b>69%</b>	<b>69%</b>	<b>81%</b>	<b>84%</b>

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.

Homeowner complaints increased significantly in the Denial of Claims (number 1 above) and Non-renewal (number 5 above) areas this fiscal year. The increase in denials involves homeowners that believed they had hail damage attributed to the 2009 or 2010 hailstorms. Many homeowners were contacted by roofing contractors and told they needed a new roof because of a large hailstorm in the area. Some homeowners would sign contracts with these contractors before getting their insurance company involved. However, when company claim adjusters inspected the roofs they found the poor condition of the roofs to be mostly from wear and tear, not hail. When the insurance company denied the claim the homeowner would contact the Division. The Attorney General's office has also seen a jump in the number of complaints regarding these contractors.

The non-renewal complaints increased this year because a single company reviewed every homeowner policy in which a 2009 hail claim was reported and, if the homeowner no longer met the company's underwriting criteria it was non-renewed.

## Liability Insurance

For liability insurance, 78 percent of the complaints involved general liability and 14 percent involved professional errors & omissions coverage (which includes medical, legal, accounting and other professional malpractice coverage). Products liability coverage represented three percent of complaints. Directors and Officers and umbrella liability each were one percent of the complaints.

### Top Ten Liability Complaint Reasons

	<b>08-09</b>	<b>09-10</b>
1. Denial of Claim (CH)	21%	22%
2. Delay (CH)	15%	15%
3. Premium & Rating (UW)	10%	12%
4. Unsatisfactory Settlement Offer (CH)	7%	6%
5. Adjuster Handling (CH)	8%	6%
6. Adjuster Not Responding (CH)	2%	5%
7. Liability Dispute(CH)	8%	4%
Agent Handling (MS)	2%	4%
Cancellation (UW)	2%	4%
8. Liability Dispute/Property Damage (CH)	5%	3%
9. Value Dispute(CH)	*	2%
10. Misrepresentation (MS)	*	2%
Delays/No Response (PS)	*	2%
Premium Notice & Billing (PS)	4%	2%
Audit Dispute (UW)	*	2%
Non-renewal (UW)	2%	2%
<b>Total Reasons</b>	<b>86%</b>	<b>93%</b>

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

Ninety percent of life insurance complaints involve individual life policies, with group life being nine percent.

Reasons for life insurance complaints, in order of frequency, for FY09-10 and previous years were:

### Top Ten Life Insurance Complaint Reasons

	<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>
1. <b>Information Requested (PS)</b>	14%	14%	11%	10%	14%
2. <b>Misrepresentation (MS)</b>	4%	6%	11%	7%	12%
3. <b>Premium Notice &amp; Billing (PS)</b>	*	*	*	8%	9%
4. <b>Coverage Question (PS)</b>	*	*	*	6%	7%
5. <b>Denial of Claim (CH)</b>	4%	4%	6%	6%	6%
<b>Agent Handling (MS)</b>	*	*	*	4%	6%
<b>Delays/No Response (PS)</b>	*	*	5%	7%	6%
6. <b>Suitability (MS)</b>	4%	3%	4%	5%	5%
7. <b>Delay (CH)</b>	5%	4%	6%	10%	5%
<b>Premium Refund (PS)</b>	7%	9%	8%	4%	5%
8. <b>Misleading Advertising (MS)</b>	*	*	*	*	3%
<b>Surrender Problems (PS)</b>	*	*	*	3%	3%
9. <b>Cash Value (PS)</b>	9%	7%	6%	4%	3%
10. <b>Other (PS)</b>	*	*	*	6%	2%
<b>Refusal to Insure (UW)</b>	*	*	*	*	2%
<b>Total Reasons</b>	<b>47%</b>	<b>47%</b>	<b>57%</b>	<b>80%</b>	<b>88%</b>

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 FY09-10 over last year. We also saw an increase in complaints related to consumers having problems obtaining information about their life insurance policies.

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 vast majority of annuities are individual annuities. Group annuities only represent six percent of the complaints. The majority of complaints continue to involve 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 six years.

### Top Ten Annuity Complaint Reasons

	05-06	06-07	07-08	08-09	09-10
1. <b>Misrepresentation (MS)</b>	16%	27%	31%	20%	19%
2. <b>Suitability (MS)</b>	32%	25%	24%	18%	17%
3. <b>Cash Value (PS)</b>	*	*	*	8%	7%
<b>Delays/No Response (PS)</b>	*	2%	6%	10%	7%
4. <b>Premium Refund (PS)</b>	4%	5%	2%	2%	6%
5. <b>Other (PS)</b>	2%	*	6%	2%	5%
6. <b>Agent Handling (MS)</b>	18%	7%	3%	10%	4%
<b>Misleading Advertising (MS)</b>	*	*	*	*	4%
7. <b>Fraud/Forgery (MS)</b>	*	*	*	*	2%
<b>Misstatement on Application (MS)</b>	*	*	*	*	2%
<b>Not Licensed (MS)</b>	*	*	*	*	2%
<b>Replacement Annuities (MS)</b>	*	*	*	2%	2%
<b>Company/Agent Dispute(PS)</b>	*	*	*	*	2%
<b>Coverage Question (PS)</b>	*	*	*	*	2%
<b>Information Requested (PS)</b>	*	*	*	6%	2%
<b>Total Reasons</b>	<b>72%</b>	<b>66%</b>	<b>72%</b>	<b>78%</b>	<b>83%</b>

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.

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. The Division has seen a dramatic reduction in the number of confirmed annuity complaints in the last two fiscal years.

## Title Insurance

In FY09-10, 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

	<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>
<b>1. Delay (CH)</b>	4%	3%	7%	4%	21%
<b>2. Denial of Claim (CH)</b>	*	7%	4%	13%	15%
<b>3. Fiduciary (MS)</b>	*	*	*	3%	13%
<b>4. Other (MS)</b>	11%	13%	26%	33%	12%
<b>Pre-ownership Underwriting (UW)</b>	*	*	*	6%	12%
<b>5. Delays/No Response (PS)</b>	*	*	*	3%	8%
<b>6. Other (PS)</b>	4%	4%	10%	13%	7%
<b>7. Fraud/Forgery (MS)</b>	*	*	*	*	3%
<b>Other (UW)</b>	2%	1%	8%	10%	3%
<b>Total Reasons</b>	<b>21%</b>	<b>28%</b>	<b>58%</b>	<b>85%</b>	<b>94%</b>

*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 (number 4 above) include earnest money disputes and rate disclosure issues. In the Policyholder Service category, “Other” (number 6 above) includes an agent’s failure to follow written closing instructions and failure to timely release liens.

Underwriting “Other” (number 7 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.

This year, the Division has seen an increase in complaints regarding the delay of claim settlements (number 1 above). This may be attributed to a particular company acquiring several other companies and not forecasting the appropriate amount of staff to handle the claim load. Also, there has been a decrease of Other-Marketing and Sales (number 4 above) complaints. Many of these complaints have been shifted into the Fiduciary and Fraud/Forgery reason codes that better represent the issues raised by the consumers.

## 2009 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 2009 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 2009 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 market share. 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 2009 Complaint Ratio and Complaint Index Reports are available on the Division of Insurance website, [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance), or directly at [http://www.dora.state.co.us/pls/real/Ins\\_Comp\\_Ratio\\_Report.Home](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 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.*

