



Dora

Department of Regulatory Agencies

**Annual Report of the
Commissioner of Insurance**

to

The Colorado General Assembly

on

Complaints Against Insurers

FY 2007-2008

October 1, 2008





Dora
Department of Regulatory Agencies

Division of Insurance
Marcy Morrison
Commissioner of Insurance

Bill Ritter, Jr.
Governor

D. Rico Munn
Executive
Director

October 1, 2008

Dear Committee Members,

I am pleased to submit the FY2007-2008 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 four years and identifies the top reasons consumers submit complaints to the Division regarding auto, health, life, homeowners, annuity and title insurance.

In the report, we also reference the 2007 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 2007-2008

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Executive Summary

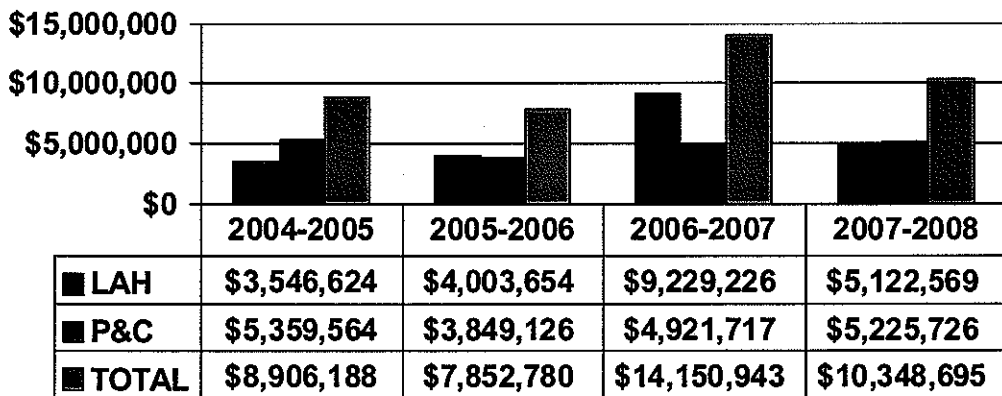
This report is submitted to the Colorado General Assembly in fulfillment of the requirements of C.R.S. 10-16-128 for an annual report on the number, nature, and outcome of complaints against insurers during the preceding 12 months.

The Division of Insurance (the Division) has more than 20 staff dedicated to assisting consumers with complaints against insurance companies and producers, and responding to questions about insurance issues. These staff logged over 25,000 incoming communications in FY07-08, mainly answering consumers' questions about insurance issues, and receiving and investigating complaints about insurance companies. Of these, there were 4,362 formal consumer complaints against specific insurers received by the Division. Formal complaints are required to be in writing or filed through the Division's website, www.dora.state.co.us/insurance.

Complaints are received on all lines of insurance. The greatest proportion of complaints involved auto insurance (27 percent) and protests of auto insurance cancellation, nonrenewal, reduction of coverage or surcharge (26 percent). Health coverage accounted for 26 percent of complaints, while homeowners insurance represented 9 percent of complaints. No other type of insurance represented more than 5 percent of complaints.

In Fiscal Year 2007-08, the Division recovered more than \$10.3 million for consumers in additional claims payments, overturned denials of benefits, reinstatements of coverage and in 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.

Executive Summary, continued

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 FY07-08

Auto Insurance:	Premium and Rating (Underwriting)
Health Insurance:	Denial of Claim (Claims Handling)
Homeowners Insurance:	Denial of Claim (Claims Handling)
Life Insurance:	Misrepresentation (Marketing and Sales)
Annuities:	Misrepresentation (Marketing and Sales)
Title Insurance:	Other (Marketing and Sales)

The Division of Insurance receives many inquiries and complaints that, upon investigation, do not indicate wrongdoing by the insurance carrier. A confirmed complaint is 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 75 percent;
- For life insurance, confirmed complaints are at 74 percent;
- For annuities, the confirmed rate is at 89 percent.

In the "Property and Casualty" lines:

- For auto insurance, the rate of confirmed complaints is 44 percent;
- For homeowners insurance, the confirmed complaint rate is 48 percent.

The Complaint Ratio Reports and Complaint Ratio Index, 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.

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 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.

CRS 10-1-101.

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 it has five subsections:

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

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, inland marine, 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 where a particular issue is addressed 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 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 plans and labor-management trust plans. A self-funded plan is one where the employer provides the funds for providing health care benefits and determines the plan’s benefit levels.

If the Division does not have jurisdiction, the complainant is notified and referred to the federal or state agency 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 of its records be conducted or other corrective action plan be implemented to ensure other affected Colorado consumers get the benefits to which they are entitled.

Legislation adopted in 2008, HB08-1228, expanded the Division's authority to order restitution to consumers, in addition to the authority to levy fines, where a company or individual has violated the law. 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 criminal violations or activity, such as sales by an unlicensed company or producer, the matter may be referred to the Division's Investigations Unit or to the Attorney General's office for prosecution.

Consumer Feedback on the Complaint Process

The Division strives to resolve consumer complaints as quickly as possible. In Fiscal Year 2007-2008 (FY07-08), approximately 78 percent of consumer complaints were resolved within 90 days, and 88 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 of Insurance file. For quality control purposes, the Division of Insurance sends consumers a postcard, when the file is closed, asking for an evaluation of the Consumer Affairs staff's handling of the complaint.

In FY07-08, almost 90 percent of the cards returned by consumers "excellent." Any card expressing dissatisfaction is reviewed by both the analyst and their supervisor to determine if the Division could improve how the matter was handled.



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
3. How would you rate your DOI analyst's professionalism?	Excellent	Satisfactory
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

SUGGESTIONS OR COMMENTS: _____

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.

Complaint Analysis and Trends

Numbers of Complaints

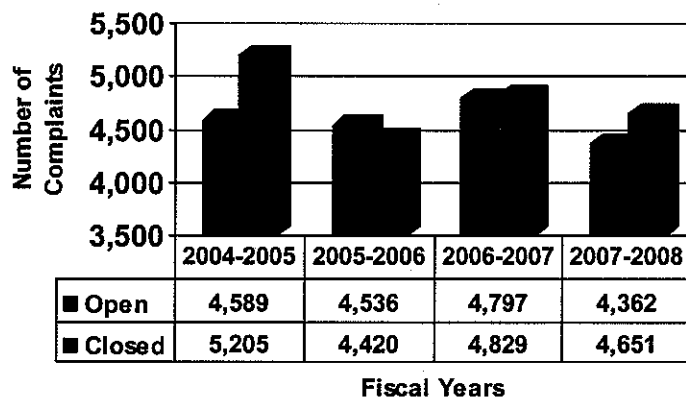
In FY07-08, the Consumer Affairs section handled complaint files as follows:

	Life, Accident and Health	Property and Casualty	Auto Protests	Total
Opened Complaints	1,426	1,820	1,116	4,362
Closed Complaints	1,599	1,967	1,085	4,651*

*Closed complaints for FY07-08 include some complaints that were opened in the previous fiscal year.

Compared to prior years, opened complaints are slightly down from the past three fiscal years.

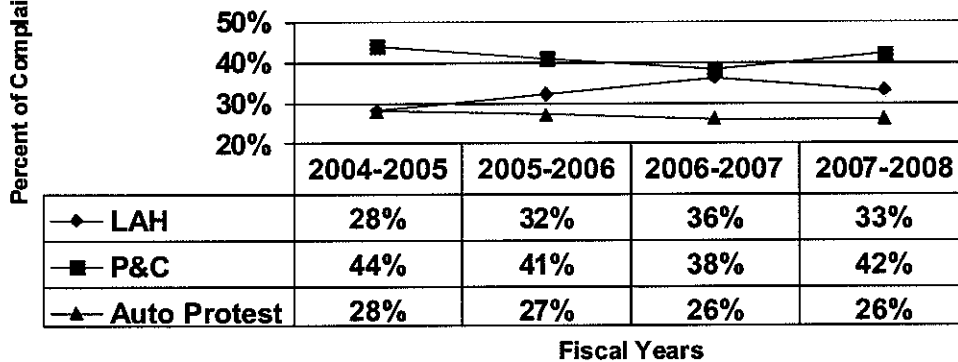
Complaints -- Year to Year Comparison



- In FY06-07, the number of complaints closed by the Consumer Affairs section showed a slight increase of 9 percent over the previous year.
- In FY07-08, open complaints dropped by 10 percent – returning to slightly below previous levels.
- The Division has identified that a major reason for the spike of complaints in FY06-07 was in Life, Accident and Health complaints due to problems with a single large carrier's computer claim system conversion. This resulted in the carrier being put under a corrective action plan which was monitored by the Division until complaint levels had returned to their previous level for that carrier.
- The high number of complaints closed in FY04-05 was due to the conversion of Colorado's auto insurance system from no-fault to tort in 2003.
- For FY07-08, the Division attributes the increase in complaints closed in comparison to those opened to Division staff's efforts to resolve complaints more quickly.

Complaints by Line of Business and Type of Insurance

Percentage of Opened Complaints by Type of Insurance



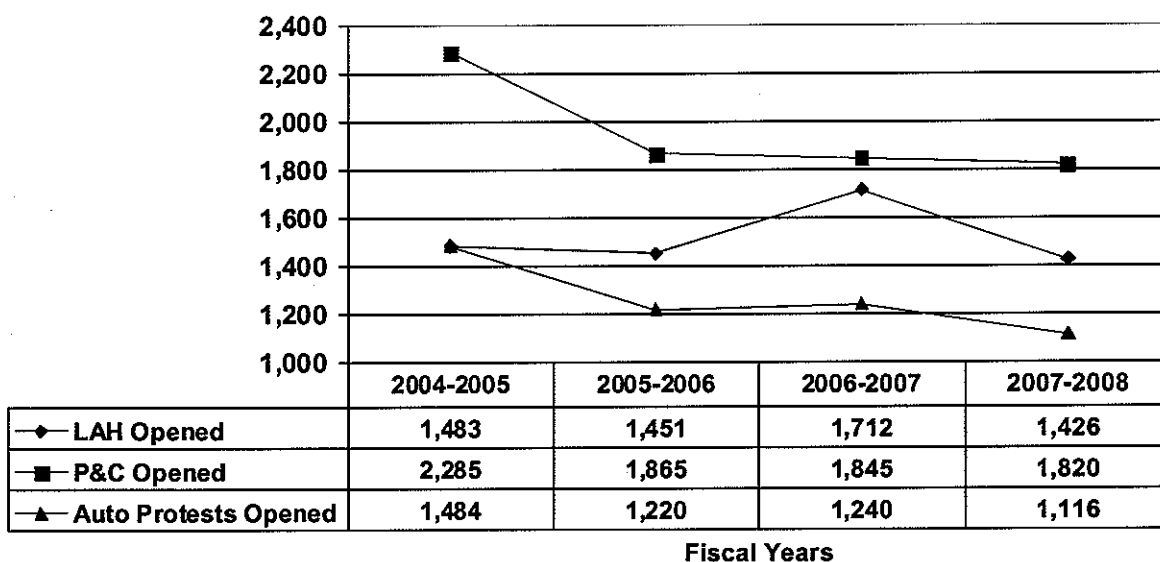
Percentages may not total to 100% due to rounding.

Of the complaints opened in FY07-08, 33 percent involved Life, Accident and Health (LAH), 42 percent were Property and Casualty (P&C) complaints, and 26 percent were auto protests. It should be noted that the Division's P&C section handles automobile insurance (including liability, medical payment, comprehensive and collision, and uninsured and underinsured motorist coverage), along with homeowners, title, and commercial insurance issues.

Auto protests are consumer challenges to an auto carrier's imposition of surcharges, cancellation or non-renewal, or increases in premium/reduction in coverage on a personal automobile insurance policy.

The LAH section issues include long-term care, individual and group health coverages, disability, annuities, Medicare Supplement, and credit life and health policies.

Number of Complaints Opened by Type of Insurance



Trends in Percentage of Complaints by Type of Coverage

The overall percentage of health complaints has been increasing slightly over past years, even when considering the additional complaints in FY06-07 related to a single carrier's claims system conversion. While the percentage of auto complaints has decreased somewhat in comparison to other types of coverage, the share of auto protests has remained fairly consistent. Complaints about life insurance have been steadily increasing, while other types of insurance have been fairly stable, fluctuating around the average percentage over time.

Proportion of Complaints by Policy Type

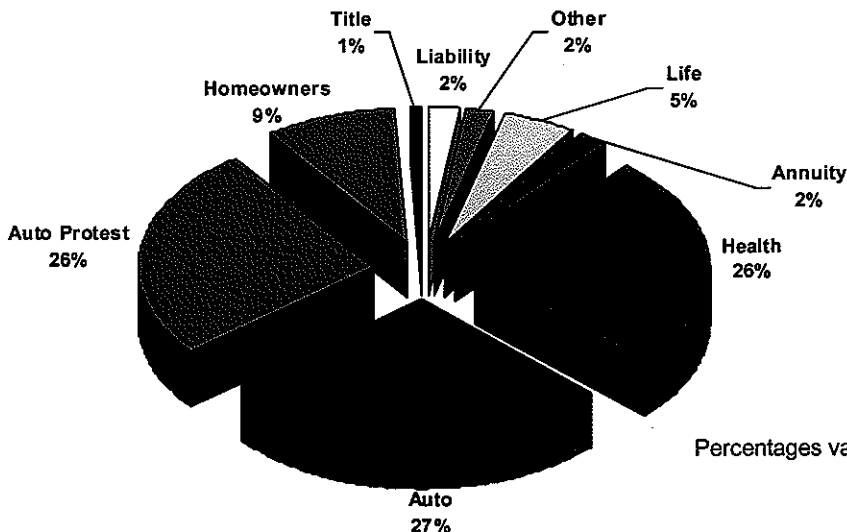
	2004-2005	2005-2006	2006-2007	2007-2008
Auto	28.1%	28.2%	25.8%	26.9%
Auto Protests	28.3%	26.9%	25.8%	25.6%
Health	23.4%	25.6%	29.0%	26.1%
Homeowner	8.9%	7.1%	7.1%	9.3%
Life	3.8%	4.5%	4.8%	5.0%
Other	3.8%	2.5%	3.1%	2.4%
(combined)				
Liability	1.4%	1.1%	1.4%	1.7%
Annuity	0.9%	1.7%	1.8%	1.6%
Title	1.4%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

Percentages may not total to 100% because of rounding.

The "Other" category includes several types of coverage. Under Property and Casualty, it includes pet and travel insurance, 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 2.4 percent of the total complaints handled by the Division of Insurance.

The breakdown of complaints by the type of coverage for FY07-08 is shown in this chart:

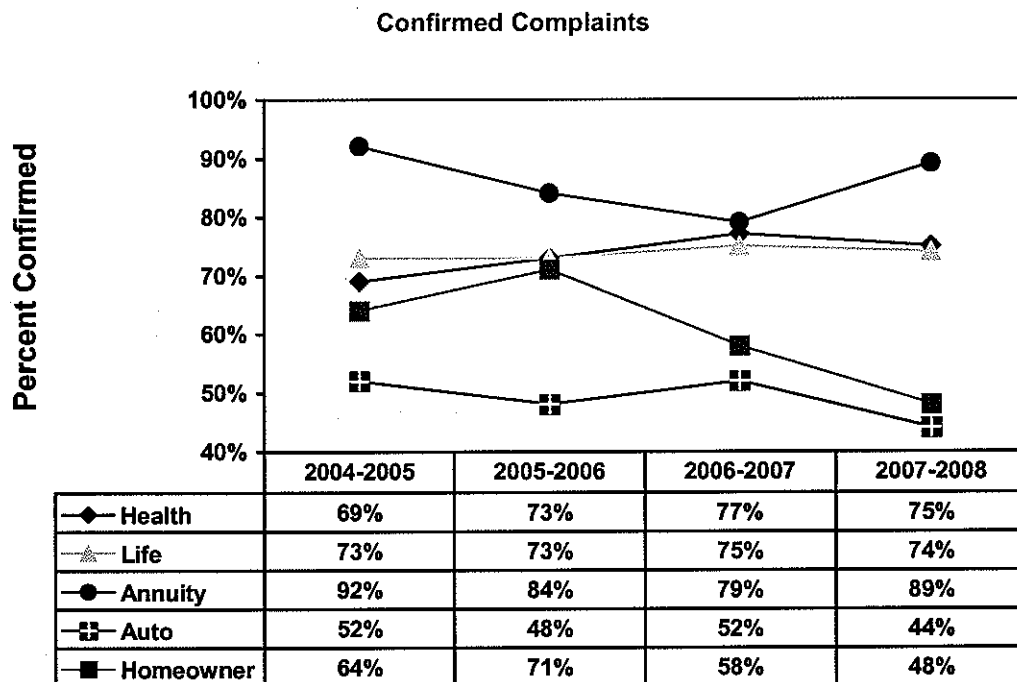
Proportion of Complaints By Type of Coverage FY07-08



Percentages vary slightly due to rounding.

Complaints Where the Company is Found to be in the Wrong

The Division of Insurance also 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.



Health carriers' percentage of confirmed complaints has increased over time. Currently, in three out of four complaints, the Division is finding in the consumer's favor and that the health carrier was in violation of state law, regulation or the policy provisions.

Annuity complaints remain the type of insurance in which the Division most often finds violation of the law or policy provisions.

Homeowners insurers' confirmed complaint percentages are decreasing, and thus showing improvement.

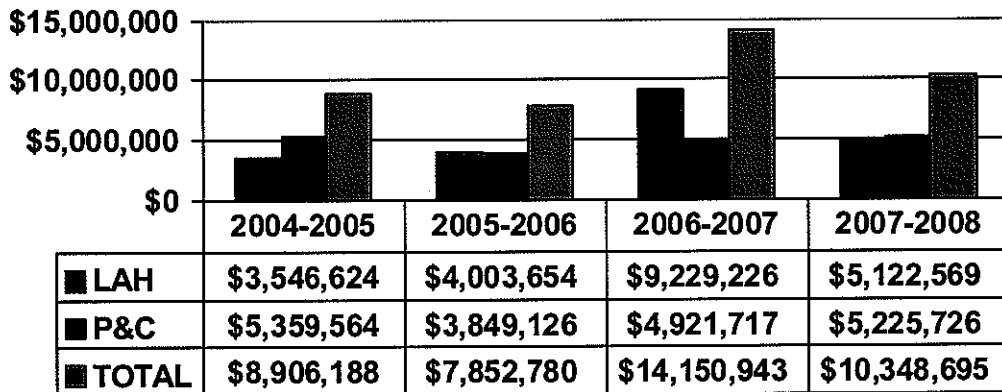
Auto (excluding protests) and homeowners remain the lowest confirmed complaint percentages.

Recoveries for Consumers

In FY07-08, the work of Consumer Affairs resulted in recovered or additional benefits to consumers of more than \$10.3 million. This includes additional claim payments, overturned denials of benefits, reinstatements of coverage and in cancellation of policies with the return of consumers' money.

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.

**Division of Insurance Consumer Affairs
Recoveries For Consumers**



In addition to more than \$10.3 million in recoveries on individual complaints in FY07-08, an additional \$1.4 million 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.

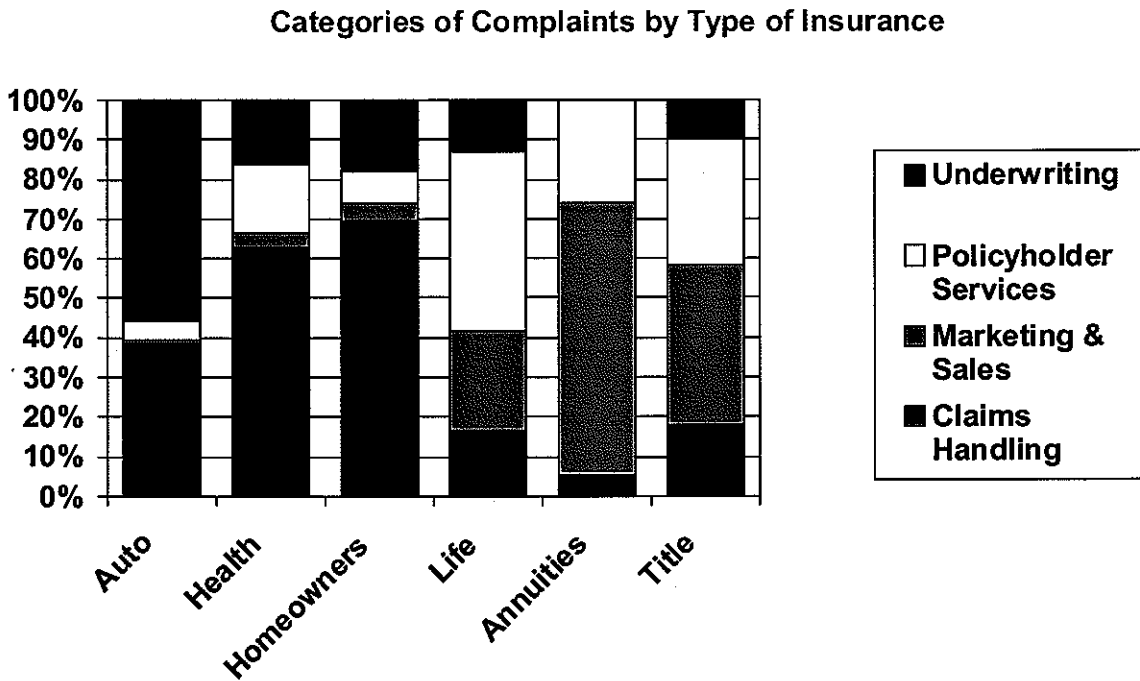
Categories of Complaints by Type of Insurance

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

For FY07-08, the top categories of complaints differed by the type of insurance.

- For auto insurance, the top complaint category was 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 96 percent involved private passenger auto, 3 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 91 percent of the auto complaints while commercial comprised 6 percent. Motorcycle complaints have decreased over past years, as have complaints for all other types of vehicles. The top complaint category is Underwriting due to the inclusion of auto protests. Underwriting includes several kinds of 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 auto complaints in FY07-08 as compared to previous years.

Top Ten Auto Complaint Reasons

	2004-05	2005-06	2006-07	2007-08
1. Premium and Rating (UW)	31%	34%	35%	32%
2. Surcharge (UW)	14%	24%	7%	30%
3. Claims Delay (CH)	8%	7%	11%	9%
4. Denial of Claim (CH)	8%	7%	10%	7%
5. Unsatisfactory Settlement Offer (CH)	5%	4%	8%	7%
6. Non-renewal (UW)	6%	4%	3%	3%
7. Cancellation (UW)	5%	4%	4%	3%
8. Liability Dispute – Property Damage (CH)	--	--	2%	2%
9. Comparative Negligence (CH)	--	2%	3%	2%
10. Premium Notice/Billing (PS)	1%	1%	1%	1%
Total	78%	87%	84%	96%

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.

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 FY07-08, the leading inquiry topics for auto insurance were claim issues and underwriting.

Health Insurance

For health insurance, a little more than half the complaints (51 percent) concern group health insurance, and 48 percent involve individual health coverage. 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

	2004-05	2005-06	2006-07	2007-08
1. Denial of Claim (CH)	28%	21%	21%	21%
2. Claims Delay (CH)	11%	11%	18%	17%
3. Premium and Rating (UW)	6%	5%	5%	7%
4. Coverage Question (PS)	3%	4%	5%	5%
5. Unsatisfactory Settlement Offer (CH)	7%	8%	7%	5%
6. Other (CH)	--	--	--	5%
7. Premium Refund (PS)	4%	4%	4%	3%
8. Premium Notice/Billing (PS)	2%	3%	3%	2%
9. Copay (CH)	--	--	--	2%
10. Information Requested (PS)	1%	2%	1%	2%
Total	62%	58%	64%	69%

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.

Complaint issues regarding the assessment of copayments charged by companies is new to the top ten list this fiscal year, as is the "Other" reason category. The complexity of the coverage leads to increasing use of the category "Other" when the existing reason codes do not capture the consumer's issue.

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.

Many consumers contact the Division with complaints against their employer's self-funded health plan. Federal ERISA 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 issues also being significant reasons for contacting the Division.

- *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.*

- *An ERISA health plan, or self-funded plan, 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.*

Homeowners Insurance

For homeowners insurance, 80 percent of complaints involved regular homeowners insurance, 8 percent concerned condominium or townhouse coverage, and renters and farm insurance each involved 3 percent of the complaints lodged with the Division.

For FY07-08, the homeowners complaint reasons compared to prior years were:

Top Ten Homeowners Complaint Reasons

	2004-05	2005-06	2006-07	2007-08
1. Denial of Claim (CH)	24%	16%	26%	24%
2. Claims Delay (CH)	9%	9%	13%	15%
3. Unsatisfactory Settlement Offer (CH)	14%	11%	13%	11%
4. Premium and Rating (UW)	8%	9%	8%	6%
5. Liability Dispute – Property Damage (CH)	--	--	--	5%
6. Cancellation (UW)	8%	5%	6%	5%
7. Other (CH)	4%	1%	--	5%
8. Nonrenewal (UW)	7%	4%	3%	3%
9. Agent Handling (MS)	2%	3%	2%	3%
10. Premium Notice/Billing (PS)	2%	1%	1%	2%
Total	78%	59%	72%	79%

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.

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 homeowners policyholders, but are less common. The "Other" category in claims handling includes deductible issues, general requests for assistance such as analysis of claims payments, and issues of the professionalism of an adjuster or company representative.

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

Life Insurance

Ninety-one percent of life insurance complaints involve individual life policies, with group life being 7 percent and credit life insurance making up the balance.

Reasons for life insurance complaints, in order of frequency, for FY07-08 and previous years were:

Top Ten Life Insurance Complaint Reasons

	2004-05	2005-06	2006-07	2007-08
1. Misrepresentation (MS)	5%	4%	6%	11%
2. Information Requested (PS)	12%	14%	14%	11%
3. Premium Refund (PS)	6%	7%	9%	8%
4. Coverage Question (PS)	--	4%	7%	8%
5. Denial of Claim (CH)	5%	4%	4%	6%
6. Cash Value (PS)	9%	9%	7%	6%
7. Claims Delay (CH)	5%	5%	4%	6%
8. Delays/No Response (PS)	--	--	--	5%
9. Cancellation (UW)	3%	5%	4%	5%
10. Suitability (MS)	3%	4%	3%	4%
Total	48%	56%	58%	70%

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.

The greatest change in life insurance complaints has been the increase in misrepresentation complaints in FY07-08 over prior years. In the past year, the number of misrepresentation complaints overtook those concerning life insurance companies' response to questions asked by policyholders.

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

	2004-05	2005-06	2006-07	2007-08
1. Misrepresentation (MS)	11%	16%	27%	31%
2. Suitability (MS)	14%	32%	25%	24%
3. Delay/No Response (PS)	--	--	2%	6%
4. Other (PS)	8%	2%	--	6%
5. Surrender (PS)	10%	3%	4%	5%
6. Claims Delay (CH)	1%	3%	2%	3%
7. Agent Handling (MS)	17%	18%	7%	3%
8. High Pressure Tactics (MS)	--	2%	5%	3%
9. Misleading Advertising (MS)	--	--	--	3%
10. Premium Refund (PS)	7%	4%	5%	2%
Total	68%	80%	77%	86%

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.

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.

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 FY07-08, consumer complaints against title insurance companies represented 1.3 percent of all complaints filed with the Division.

For title complaints, the major consumer issues were:

Top Ten Title Insurance Complaint Reasons

	2004-05	2005-06	2006-07	2007-08
1. Other (MS)	30%	11%	13%	26%
2. Coverage Question (PS)	23%	66%	45%	20%
3. Other (PS)	10%	4%	4%	10%
4. Other (UW)	--	2%	1%	8%
5. Claims Delay (CH)	3%	4%	3%	7%
6. Agent Handling (MS)	10%	2%	4%	6%
7. Rebating (MS)	3%	--	--	5%
8. Denial of Claim (CH)	--	--	7%	4%
9. Adjuster Handling (CH)	--	--	--	3%
10. Delay (MS)	--	--	--	3%
Total	79%	89%	77%	92%

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.

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 3 above) includes an agent's failure to follow written closing instructions and failure to timely release liens.

Underwriting "Other" (number 4 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.

Complaints on rebating, adjuster handling, and delay of claim have increased in FY07-08.

2007 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 2007 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 2007 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 2007 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.*

