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Office of the Insurance Commissioner
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PEMCO Mutual Insurance Company is a 70-year-old company employing nearly 525 people in Washington, with offices in Seattle, Lynnwood and Spokane. We sell personal lines property and casualty insurance in Washington and Oregon. As a mutual insurer, our policyholders are our owners, and our concerns are on their behalf. The following comments are submitted regarding proposed Adverse Notifications Rulemaking (R2018-09).

PEMCO strives for fast and timely resolution of claims and focuses on customer service and satisfaction at every turn. We remain concerned that the proposed rule will create confusion among policyholders and slow down the claims handling process by making it more difficult for us to satisfy claims efficiently, and in the best interest of our policyholders.

We appreciate the changes made from the stakeholder draft, however significant concerns about the proposal remain. Many of them are presented in other comments, including those from the Northwest Insurance Council and the National Association of Mutual Insurance Companies. Without limiting our own, we share the following comments:

Section 2 (b) was revised to require the notice for a "final claim payment" for less than the amount of the claim submitted. While this change attempts to add clarity, there remains the possibility of multiple notices being sent to a policyholder. Often, claim estimations are submitted from body repair shops, medical providers, and repair and mitigation contractors. An initial claim payment determination is often preliminary, and these claims are usually adjusted through negotiations with the contractors with no involvement from the claimant. Claimants receive full satisfaction of their claim without having to be involved in the negotiation of cost. This process promotes swift resolution of policyholders' claims and prompt repairs to damaged property.

Of related concern, when an insurer reaches an agreed cost of repair with an auto body repair shop where the amount agreed to is less than the shop's initial repair estimate, or when an underinsured motorist bodily injury (UMBI) claim is negotiated and settled for less than the policyholder's original demand, notice may be required even if there was no out-of-pocket exposure other than the deductible for the policyholder. In a recent data search for one of our auto claims adjusters for the month of June 2019, we believe 16 of the 17 claims handled could have required an adverse notification according to this rule, even though the amounts varied on average by \$385 and the customers received satisfactory handling of their claims in a timely manner.

We consider also those customers who are involved in an automobile accident that results in several different claim payments, such as claims for vehicle damage, ongoing medical treatment, and a negotiated settlement of a UMBI claim. Under broad application of the rule, they could have a plethora of notices sent to them during the life of the claim, even when there was no adverse impact.

The rule is not expressly inapplicable to negotiated payment amounts, similar to the contracted health care provider's rate exception. Nor does it state that the proposed notice only needs to be sent once for each claim file, regardless of the number of claims made. This could create confusion and inconsistency, and the potential for multiple notices being sent to a claimant.

Claims adjusters regularly deal with billing adjustments, such as those to correct for mistakes, to pay only for reasonable charges, and to potentially reduce fraud. Adjusted bills result in fair payments, lower premiums, and the protection of insureds' coverage limits while also making them whole. Receiving an adverse notification after the routine adjustment of a bill can lead to customer confusion and create the misimpression that there is something potentially wrong with this normal, important practice.

Our primary goal is to satisfactorily handle all claims from our policyholders in a timely manner. Claims situations can be stressful and difficult on individuals and families. We remain concerned that requiring adverse notification in situations like those outlined above will have a negative impact on claim processing and add unnecessary confusion and stress to policyholders. We respectfully request that the proposal be reconsidered, toward the shared objective of reducing confusion and allowing for swift resolution of claims by insurance companies in our state.

Respectfully,

PEMCO Mutual Insurance Company



William M. Clumpner
V.P. & General Counsel