

No. 2020-6430

**Official Order
of the
Texas Commissioner of Workers' Compensation**

Date: 08-06-2020

Subject Considered:

Zurich American Insurance Company of Illinois
1299 Zurich Way
Schaumburg, Illinois 60196-5870

Consent Order
DWC Enforcement File No. 19765

General remarks and official action taken:

This is a consent order with Zurich American Insurance Company of Illinois (Zurich American). The commissioner of the Texas Department of Insurance, Division of Workers' Compensation (DWC) considers whether DWC should take disciplinary action against Zurich American.

Waiver

Zurich American acknowledges that the Texas Labor Code and other applicable laws provide certain rights. Zurich American waives all of these rights, and any other procedural rights that apply, in consideration of the entry of this consent order.

Findings of Fact

1. Zurich American holds a certificate of authority issued by the Texas Department of Insurance to transact the business of insurance pursuant to TEX. INS. CODE §§ 801.051-801.053 and is licensed to write multiple lines of insurance in Texas, including workers' compensation/employers' liability insurance.

2. Zurich American was not selected to be tiered in the 2007, 2009, 2010, 2012, 2014, and 2016 Performance Based Oversight (PBO) assessments. Zurich American was classified as "average" tier in the 2018 PBO assessment.

DWC Audit No. IP-19-114

3. On November 15, 2018, DWC initiated DWC Audit No. IP-19-114 to determine whether Zurich American complied with the Texas Labor Code and related rules on the timely payment of temporary income benefits (TIBs) and the timely and accurate submission of initial payment information to DWC.
4. The audit examined TIBs payments that American Zurich reported issuing between July 1, 2018, to September 30, 2018. DWC identified 17 initial TIBs payments for audit, which were reviewed to determine Zurich American's compliance.
5. The audit focused on the timely payment of initial TIBs and Electronic Data Interchange (EDI) reporting. The EDI portion of the audit focused on the timely reporting of initial TIBs payments and accuracy of five data elements reported to DWC (First Date of Disability, Date of First Written Notice, TIBs from Date, TIBs End Date, and Initial TIBs Payment Date).

Failure to Timely Pay Initial TIBs

6. Zurich American failed to timely initiate TIBs for 24% of examined payments (four out of 17).
7. Specifically, Zurich American issued payments to injured employees less than six days late in one instance, between six and 15 days late in two instances, and more than 30 days late in one instance.

Failure to Timely or Accurately Report EDI Data to DWC

8. Zurich American failed to timely report initial payment of TIBs for 12% of examined payments (two out of 17).
9. Zurich American failed to accurately report the First Date of Disability for 12% of examined payments (two out of 17).

10. Zurich American failed to accurately report the Date of First Written Notice for 29% of examined payments (five out of 17).
11. Zurich American failed to accurately report the TIBs from Date for 6% of examined payments (one out of 17).
12. Zurich American failed to accurately report the TIBs End Date for 6% of examined payments (one out of 17).
13. Zurich American failed to accurately report the Initial TIBs Payment Date for 6% of examined payments (one out of 17).

Assessment of Sanction

1. Failure to provide appropriate TIBs in a timely and cost-effective manner is harmful to injured employees and the Texas workers' compensation system.
2. Timely submitting information and documentation to DWC is imperative for it to implement and enforce the Texas Workers' Compensation Act.
3. DWC relies on claims information insurance carriers submit for many purposes, including, but not limited to, providing required information and reports to the Legislature, ensuring that insurance carriers comply with the Texas Labor Code and DWC rules, and detecting patterns and practices in actions taken on claims.
4. In assessing the sanction for this case, DWC fully considered the following factors in TEX. LAB. CODE § 415.021(c) and 28 TEX. ADMIN. CODE § 180.26(e):
 - the seriousness of the violation, including the nature, circumstances, consequences, extent, and gravity of the prohibited act;
 - the history and extent of previous administrative violations;
 - the violator's demonstration of good faith, including actions it took to rectify the consequences of the prohibited act;
 - the penalty necessary to deter future violations;
 - whether the administrative violation had a negative impact on the delivery of benefits to an injured employee;
 - the history of compliance with electronic data interchange requirements;
 - to the extent reasonable, the economic benefit resulting from the prohibited act; and

- other matters that justice may require, including, but not limited to:
 - PBO assessments;
 - prompt and earnest actions to prevent future violations;
 - self-report of the violation;
 - the size of the company or practice;
 - the effect of a sanction on the availability of health care; and
 - evidence of heightened awareness of the legal duty to comply with the Texas Workers' Compensation Act and DWC rules.
5. DWC found the following factors in TEX. LAB. CODE § 415.021(c) and 28 TEX. ADMIN. CODE § 180.26(e) to be aggravating: the seriousness of the violation, including the nature, circumstances, consequences, extent, and gravity of the prohibited act; the history and extent of previous administrative violations; and whether the administrative violation had a negative impact on the delivery of benefits to an injured employee.
 6. DWC found the following factors in TEX. LAB. CODE § 415.021(c) and 28 TEX. ADMIN. CODE § 180.26(e) to be mitigating: the penalty necessary to deter future violations.
 7. Zurich American acknowledges it communicated with DWC about the relevant statutes and rules it violated; the facts establish that the administrative violation occurred; and the proposed sanction is appropriate, including the factors DWC considered under TEX. LAB. CODE § 415.021(c) and 28 TEX. ADMIN. CODE § 180.26(e).
 8. Zurich American acknowledges that, in assessing the sanction, DWC considered the factors in TEX. LAB. CODE § 415.021(c) and 28 TEX. ADMIN. CODE § 180.26(e).

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. LAB. CODE §§ 402.001, 402.00114, 402.00116, 402.00128, and 414.002.
2. The commissioner has the authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056, TEX. LAB. CODE §§ 401.021 and 402.00128(b)(7), and 28 TEX. ADMIN. CODE § 180.26(h).
3. Zurich American has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but

not limited to, issuance and service of notice of intent to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, a rehearing by the commissioner, and judicial review.

4. Pursuant to TEX. LAB. CODE § 415.021, the commissioner may assess an administrative penalty against a person who commits an administrative violation.
5. Pursuant to TEX. LAB. CODE § 415.002(a)(20), an insurance carrier or its representative commits an administrative violation each time it violates a DWC rule.
6. Pursuant to TEX. LAB. CODE § 415.002(a)(22), an insurance carrier or its representative commits an administrative violation each time it fails to comply with a provision of the Texas Workers' Compensation Act.
7. Pursuant to TEX. LAB. CODE §§ 408.081, 408.082, and 409.021, and 28 TEX. ADMIN. CODE §§ 124.3 and 124.7, an insurance carrier is required to initiate payment of TIBs no later than the 15th day after it receives written notice of the injury or the seventh day after the accrual date, unless the insurance carrier notifies DWC and the injured employee in writing of its refusal to pay.
8. Zurich American violated TEX. LAB. CODE §§ 409.021, 415.002(a)(20), and 415.002(a)(22) each time it failed to timely initiate payment of TIBs.
9. Pursuant to 28 TEX. ADMIN. CODE § 124.2(a) and (b), insurance carriers are required to notify DWC and the injured employee of actions taken or events occurring in a claim, as specified by rule in the form and manner DWC prescribes. Inherent in this duty is the requirement that insurance carriers report this information accurately.
10. Zurich American violated TEX. LAB. CODE § 415.002(a)(20) each time it failed to timely or accurately notify DWC and the injured employee of actions it took or events that occurred in a claim, as specified by rule in the form and manner DWC prescribed.

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Order

It is ordered that Zurich American Insurance Company of Illinois must pay an administrative penalty of \$10,800 within 30 days from the date of this order. Zurich American Insurance Company of Illinois must pay the administrative penalty by cashier's check or money order and make it payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: DWC Enforcement Section, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.



Cassie Brown
Commissioner of Workers' Compensation

Approved Form and Content:



Andrés Durá
Staff Attorney, Enforcement
Compliance and Investigations
Division of Workers' Compensation

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Affidavit

STATE OF IL

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COUNTY OF Cook

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Before me, the undersigned authority, personally appeared _____
who being by me duly sworn, deposed as follows:

"My name is DAVE BOYLE. I am of sound mind, capable of making this
statement, and have personal knowledge of these facts which are true and correct.

I hold the office of SVP CLAIM and am the authorized representative of
Zurich American Insurance Company of Illinois. I am duly authorized by the organization
to execute this statement.

Zurich American Insurance Company of Illinois has knowingly and voluntarily entered into
this consent order and agrees with and consents to the issuance and service of this
consent order."



Affiant

SWORN TO AND SUBSCRIBED before me on _____, 2020.

(NOTARY SEAL)

Signature of Notary Public

Printed Name of Notary Public

Commission Expiration