

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938,
THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE MARKET CONDUCT
EXAMINATION OF THE CLAIMS PRACTICES OF**

**GREAT AMERICAN INSURANCE COMPANY
NAIC # 16691 CDI # 1301-1
GREAT AMERICAN ASSURANCE COMPANY
NAIC # 26344 CDI # 1472-0
GREAT AMERICAN ALLIANCE INSURANCE COMPANY
NAIC # 26832 CDI # 1313-6
GREAT AMERICAN INSURANCE COMPANY OF NEW YORK
NAIC # 22136 CDI # 0651-0**

AS OF JUNE 30, 2013

ADOPTED MARCH 16, 2015

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD CLAIMS BUREAU**

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

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DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
300 South Spring Street
Los Angeles, CA 90013



March 16, 2015

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims handling practices and procedures in California of:

Great American Insurance Company
NAIC # 16691
Great American Assurance Company
NAIC # 26344
Great American Alliance Insurance Company
NAIC # 26832
Great American Insurance Company of New York
NAIC # 22136
Group NAIC # 0084

Hereinafter, the Companies listed above also will be referred to as GAI, GAAS, GAAL, GANY or the Company or, collectively, as the Companies.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code section 12938(b)(1).

FOREWORD

The examination covered the claims handling practices of the aforementioned Companies on Commercial Auto, Gap Insurance, Other Liability, and Workers Compensation claims closed during the period from July 1, 2012 through June 30, 2013, and Workers Compensation claims open as of June 30, 2013. The examination was made to discover, in general, if these and other operating procedures of the Companies conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer’s proposals for correcting the deficiencies. When a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery in this report. While this report contains violations of law that were cited by the examiners, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the problematic activities that are described herein.

All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Companies’ responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Companies for use in California including any documentation maintained by the Companies in support of positions or interpretations of the California Insurance Code, Fair Claims Settlement Practices Regulations, and other related statutes, regulations and case law used by the Company to ensure fair claims settlement practices.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of individual claims files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about these Companies closed by the CDI during the period July 1, 2012 through June 30, 2013; and a review of previous CDI market conduct claim examination reports on these Companies.

The review of the sample of individual claims files was conducted at the offices of the Companies in Los Angeles, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Commercial Auto, Gap Insurance, Other Liability, and Workers Compensation claims reviewed were closed from July 1, 2012 through June 30, 2013, referred to as the “review period”. The examiners randomly selected 77 GAI, 82 GAAS, 36 GAAL and 56 GANY claim files for examination. The examiners cited 168 alleged claim handling violations of the California Insurance Code and the California Vehicle Code from this sample file review.

Findings of this examination included the failure to pay workers compensation (WC) medical bills in a timely manner; the failure to include statutorily mandated self-imposed penalty and interest on the late paid medical bills; the failure to include taxes, license fees and other one-time transfer fees owed on vehicle total loss settlements and the failure to respond to communications received within 15 calendar days.

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS

Except as noted below, market analysis did not identify any specific issues of concern.

The Companies were the subject of 20 California consumer complaints and inquiries closed from July 1, 2012 through June 30, 2013, in regard to the lines of business reviewed in this examination. Of the complaints and inquiries, the CDI determined two complaints were justified; both were due to the Companies failure to notify a claimant that he or she may have the claim denial reviewed by the California Department of Insurance. A similar issue was noted in this examination during the review of gap insurance claims.

The previous claims examination reviewed a period from June 1, 2003 through May 31, 2004. The noncompliance issues identified in the previous examination report included the Companies' failure to provide written notice of the need for additional time every 30 calendar days, the Companies' failure to include the California fraud warning on insurance forms, and the Companies' failure to include, in the total loss settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. The issue related to the Companies' failure to include, in the total loss settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile was identified as problematic in the current examination.

DETAILS OF THE CURRENT EXAMINATION

Further details with respect to the examination and alleged violations are provided in the following tables and summaries:

GAI SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Commercial Automobile / Physical Damage	69	36	31
Commercial Automobile / Liability	124	38	24
Commercial Automobile / Medical Payment	2	1	0
Other Liability	10	2	0
TOTALS	205	77	55

GAAS SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Commercial Automobile / Physical Damage	13	6	1
Commercial Automobile / Liability	46	11	4
Commercial Automobile / UMBI	1	1	0
Other Liability	48	13	0
Gap	1,151	25	1
Workers Compensation / Medical Only	34	20	26
Workers Compensation / Open	--	6	1
TOTALS	1,293	82	33

GAAL SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Commercial Automobile / Physical Damage	29	15	7
Commercial Automobile / Liability	41	13	1
Workers Compensation / Medical Only	12	5	2
Workers Compensation / Indemnity	6	1	0
Workers Compensation / Open	--	2	2
TOTALS	88	36	12

GANY SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Commercial Automobile / Physical Damage	24	13	4
Commercial Automobile / Liability	23	8	2
Workers Compensation / Medical Only	46	17	57
Workers Compensation / Indemnity	25	10	5
Workers Compensation / Open	--	8	0
TOTALS	118	56	68

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	GAI Number of Alleged Violations	GAAS Number of Alleged Violations	GAAL Number of Alleged Violations	GANY Number of Alleged Violations
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear [medical treatment expenses]	0	13	2	30
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear [statutory self-imposed penalty and interest on medical bills]	0	13	2	30
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, the license fee and other annual fees computed based upon the remaining term of the current registration.	9	0	1	0
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include in the settlement, all applicable taxes.	6	0	1	0
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, the one-time fees incident to transfer of evidence of ownership of a comparable automobile.	6	0	1	0
CCR §2695.7(p) *[CIC §790.03(h)(3)]	The Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.	4	0	1	1
CCR §2695.5(b) *[CIC §790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	4	1	0	1
CCR §2695.7(c)(1) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of the need for additional time or information every 30 calendar days.	4	1	0	0
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	4	0	0	1

Citation	Description of Allegation	GAI Number of Alleged Violations	GAAS Number of Alleged Violations	GAAL Number of Alleged Violations	GANY Number of Alleged Violations
CCR §2695.8(f) *[CIC §790.03(h)(3)]	The Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.	2	0	1	1
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to fully itemize in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Itemization of all components of the settlement was not provided.	4	0	0	0
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status.	3	0	0	0
CCR §2695.7(q) *[CIC §790.03(h)(5)]	The Company failed to share subrogation recoveries on a proportionate basis with the first party claimant.	2	0	1	0
CCR §2695.8(e)(2) *[CIC §790.03(h)(3)]	The Company suggested or recommended that an automobile be repaired at a specific repair shop without informing the claimant in writing of the right to select the repair facility, pursuant to CIC §758.5.	1	0	0	1
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	2	0	0	0
CCR §2695.8(i) *[CIC §790.03(h)(3)]	The Company failed to fully explain the basis for any adjustment to the claimant in writing.	2	0	0	0
CCR §2695.8(g)(3) *[CIC §790.03(h)(3)]	The Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original.	0	1	1	0
CVC §11515(b) *[CIC §790.03(h)(3)]	The Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b).	0	1	1	0
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	The Company failed to reference the California Department of Insurance in its claims denial.	0	1	0	0

Citation	Description of Allegation	GAI Number of Alleged Violations	GAAS Number of Alleged Violations	GAAL Number of Alleged Violations	GANY Number of Alleged Violations
CCR §2695.5(e)(2) *[CIC §790.03(h)(3)]	The Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.	1	0	0	0
CCR §2695.8(c) *[CIC §790.03(h)(3)]	The Company failed to notify the insured that the file will be reopened if the Company is notified within 35 days that the insured cannot purchase a comparable automobile for the settlement amount offered or paid.	1	0	0	0
CVC §11515(a)(1) *[CIC §790.03(h)(3)]	The Company failed to notify the Department of Motor Vehicles of a total loss settlement on a salvage vehicle within 10 days from the settlement.	0	1	0	0
CIC §11580.011(e) *[CIC §790.03(h)(5)]	The Company failed to replace the child passenger restraint system that was in use by a child during the accident or if it sustained a covered loss while in the vehicle.	0	0	0	1
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear [in calculating and paying WC benefits timely]	0	1	0	0
CIC §790.03(h)(2)	The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies [on Utilization Review standards for WC]	0	0	0	1
CIC §790.03(h)(3)	The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies [on timely WC benefit notices]	0	0	0	1
Total Number of Alleged Violations	55	33	12	68	

***DESCRIPTONS OF APPLICABLE
UNFAIR CLAIMS SETTLEMENT PRACTICES**

- | | |
|-------------------|--|
| CIC §790.03(h)(2) | The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. |
| CIC §790.03(h)(3) | The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. |
| CIC §790.03(h)(5) | The Company failed to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear. |

TABLE OF VIOLATIONS BY LINE OF BUSINESS

COMMERCIAL AUTOMOBILE 2012 Written Premium: \$10,989,740 AMOUNT OF RECOVERIES \$86,883.52	NUMBER OF ALLEGED VIOLATIONS
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	24
CCR §2695.7(p) [CIC §790.03(h)(3)]	6
CCR §2695.5(b) [CIC §790.03(h)(2)]	6
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	5
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	5
CCR §2695.8(f) [CIC §790.03(h)(3)]	4
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	4
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	3
CCR §2695.7(q) [CIC §790.03(h)(5)]	3
CCR §2695.8(e)(2) [CIC §790.03(h)(3)]	2
CCR §2695.7(h) [CIC §790.03(h)(5)]	2
CCR §2695.8(i) [CIC §790.03(h)(3)]	2
CCR §2695.8(g)(3) [CIC §790.03(h)(3)]	2
CVC §11515(b) [CIC §790.03(h)(3)]	2
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	1
CCR §2695.8(c) [CIC §790.03(h)(3)]	1
CVC §11515(a)(1) [CIC §790.03(h)(3)]	1
CIC §11580.011(e) [CIC §790.03(h)(5)]	1
SUBTOTAL	74

GAP INSURANCE 2012 Written Premium: \$0 (in run-off)	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$ 0	
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
SUBTOTAL	1

OTHER LIABILITY 2012 Written Premium: \$79,431,806	NUMBER OF CITATIONS
AMOUNT OF RECOVERIES \$0	
SUBTOTAL	0

WORKERS COMPENSATION 2012 Written Premium: \$9,972,430	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$5,147.83	
LC §4603.2(b)(1) [CIC §790.03(h)(5)]	90
LC §4650(a) [CIC §790.03(h)(5)]	1
CCR §9792.9(b)(1) [CIC §790.03(h)(2)]	1
CCR §9812(a)(2) [CIC §790.03(h)(3)]	1
SUBTOTAL	93

TOTAL	168
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SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report.

In response to each criticism, the Companies were required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Companies are obligated to ensure that compliance is achieved.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Companies were asked if they intend to take appropriate corrective action in all jurisdictions where applicable. The Companies indicate that these practices are not applicable in other jurisdictions. It is the Companies' position that the practices outlined in this report are unique to California and none violate the law of another state.

Money recovered within the scope of this report was \$11,063.11 as described in sections number 1, 2, 3, 10, 11, 17, 21 and 23 below. Following the findings of the examination, closed claims surveys as described in sections number 1, 2, 3, 10 and 23 below were conducted by the Companies resulting in additional payments of \$80,968.24. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$92,031.35.

COMMERCIAL AUTOMOBILE

1. **In 10 instances, the Companies failed to include, in the settlement, the license fee and other annual fees computed based upon the remaining term of the registration.** In these instances, the Companies failed to include the pro-rated vehicle registration fee in the total loss settlements. The Department alleges these acts are in violation of CCR §2695.8(b)(1) and are unfair practices under CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and state it is their practice to include the pro-rated vehicle registration fees in California

total loss claims settlements. The Companies indicate that enhanced compliance should be a matter of placing greater emphasis by claims management and supervisors on adherence to current standard claims procedures for settling California total losses. The Companies are fully committed to this effort. The Companies are clear about what kind of follow-up, monitoring and management action will assure compliance.

As a result of the examination findings, the Companies paid a total of \$188.65 to the claimants in these 10 instances. The Companies reviewed 300 closed total loss claim settlements for a nine-year period from July 1, 2004 through June 30, 2013. The Companies completed the survey and reported the results to the Department on April 22, 2014. As a result of the survey, the Companies paid an additional \$18,492.77 in pro-rated vehicle license fees owed on 99 claims.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

2. In seven instances, the Companies failed to include in the settlement all applicable taxes. In these instances, the total loss claim settlement failed to include the applicable taxes. The Department alleges these acts are in violation of CCR §2695.8(b)(1) and are unfair practices under CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and state it is their practice to include all applicable taxes in total loss claims settlements. The Companies indicate that enhanced compliance should be a matter of placing greater emphasis by claims management and supervisors on adherence to current standard claims procedures for settling California total losses. The Companies are fully committed to this effort. The Companies are clear about what kind of follow-up, monitoring and management action will assure compliance.

As a result of the examination findings, the Companies paid a total of \$5,651.40 to the claimants in these seven instances. The Companies conducted an internal survey of claims that were closed for a nine-year period from July 1, 2004 through June 30, 2013. The Companies completed the survey and reported the results to the Department on April 22, 2014. Out of the 300 total loss claim settlements surveyed, the Companies paid \$57,145.49 in applicable sales taxes owed on 83 claims.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A

follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

3. In seven instances, the Companies failed to include, in the settlement, the one-time fees incident to transfer of evidence of ownership of a comparable vehicle. In these instances, the total loss settlement failed to include the one-time transfer fee. The Department alleges these acts are in violation of CCR §2695.8(b)(1) and are unfair practices under CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and state it is their practice to include in the settlement, all one-time fees incident to transfer of evidence of ownership of a comparable vehicle. The Companies indicate that enhanced compliance should be a matter of placing greater emphasis by claims management and supervisors on adherence to current standard claims procedures for settling California total losses. The Companies are fully committed to this effort. The Companies are clear about what kind of follow-up, monitoring and management action will assure compliance.

As a result of the findings, the Companies paid a total of \$105.00 to the claimants in these seven instances. The Companies also conducted an internal survey of claims pertinent to one-time transfer fees that were closed for a nine-year period from July 1, 2004 through June 30, 2013. The Companies completed the survey and reported the results to the Department on April 22, 2014. Out of the 300 total loss claim settlements surveyed, the Companies paid \$1,515.00 in transfer fees owed on 102 claims.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

4. In six instances, the Companies failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation. In these instances, the Companies pursued subrogation without advising the first party claimants in writing of their intent to pursue subrogation. The Department alleges these acts are in violation of CCR §2695.7(p) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree in these instances, they did not provide written notification to first-party claimants as to whether the insurers intend to pursue subrogation. The claim handlers overlooked sending notice to the insureds regarding the pursuit of subrogation in these instances. This requirement will be reinforced by the Companies through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

5. In six instances, the Companies failed to respond to communications within 15 calendar days. In these instances, the Companies did not respond to communications within regulatory guidelines. The Department alleges these acts are in violation of CCR §2695.5(b) and are unfair practices under CIC §790.03(h)(2).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(2). However, the Companies agree that in these instances, they did not respond to communications received within regulatory timelines. It is the Companies' practice to respond to communications within 15 calendar days. The adjusters involved have been counseled to assure responses are timely. This requirement will be reinforced by the Companies through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

6. In five instances, the Companies failed to provide written notice of the need for additional time or information every 30 calendar days. In these instances, status letters were not provided as required while the claims were still pending. The Department alleges these acts are in violation of CCR §2695.7(c)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree that in these instances, written notice of the need for additional time or information was not provided as required by this regulation. It is the Companies' practice to provide written notice of the need for additional time or information every 30 days. The adjusters involved have been counseled to assure responses are timely. This requirement will be reinforced by the Companies through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

7. In five instances, the Companies failed to acknowledge notice of claim within 15 calendar days. In these instances, the claims were not acknowledged within regulatory guidelines. The Department alleges these acts are in violation of CCR §2695.5(e)(1) and are unfair practices under CIC §790.03(h)(2).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(2). However, the Companies agree that in these instances, the claims were not acknowledged timely. It is the Companies' practice to acknowledge notice of claim within 15 calendar days. The adjusters involved have been counseled to assure responses are timely. This requirement will be reinforced by the Companies through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

8. In four instances, the Companies failed to supply the claimant with a copy of the estimate upon which the settlement was based. The Department alleges these acts are in violation of CCR §2695.8(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree that the claimants were not provided with a copy of the estimates upon which the settlements were based in these instances. The Companies indicate that they relied on their third-party Claims Administrator which handles this program to provide the estimates. The Companies indicate they receive pertinent paperwork only after vehicles had been repaired and payments are due. The Companies state it will re-visit the use of this program and consider substantial changes in the way this program is administered, or discontinue the program with its vendor to effectively monitor compliance with this regulation.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

9. In four instances, the Company failed to fully itemize in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Itemization of all components of the settlement was not provided. In these instances, the Company did not provide a written itemized statement of the total

loss settlement to the claimants. The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Company agrees to the findings in these instances. The Company indicates these were isolated errors by the claim handlers, as it is their practice to provide a written itemized statement of the total loss settlement to claimants. The adjusters involved have been counseled to ensure that claimants are provided with a written itemized statement of the total loss claim settlement. This requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

10. In three instances, the Companies failed to share subrogation recoveries on a proportionate basis with the first party Claimant. In these instances, the Companies received payments on their subrogation demands but failed to share the subrogation recoveries with the insureds. The Department alleges these acts are in violation of CCR §2695.7(q) and are unfair practices under CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and state it is their standard practice to share subrogation recoveries on a proportionate basis with the insureds. The Companies' claims handlers will undergo remedial training to ensure they comply with this regulation. As a result of the findings, the Companies paid a total of \$1,750.00 to the insureds in these three instances. The Companies also conducted an internal survey of claims pertinent to subrogation recoveries that were closed from July 1, 2010 through June 30, 2013. The Companies completed the survey and reported the results to the Department on April 22, 2014. The Companies reviewed 101 claims and paid \$1,325.00 on three claims in which the Companies failed to share the proportionate subrogation recoveries with the insureds.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

11. In two instances, the Companies failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status. In these instances in which

the owner retained the salvaged vehicle, the total loss settlement failed to include the salvage certificate fee. The Department alleges these acts are in violation of CCR §2695.8(b)(1)(A) and are unfair practices under CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(5). However, the Companies agree with the findings and indicate that the adjusters overlooked the salvage certificate fees in these two instances. To remedy the errors, the Companies issued a total of \$38.00 to the two claimants for the salvage certificate fees owed. The Companies have conducted remedial training with the claim handlers to ensure they are appropriately handling these claims.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

12. In two instances, the Companies suggested or recommended that an automobile be repaired at a specific repair shop without informing the claimant in writing of the right to select the repair facility, pursuant to CIC §758.5. In these instances, the claim representatives made verbal recommendations to the claimants of specific repair shops under its Manage Repair Program (MRP) for vehicle repairs. The Company failed to provide a written disclosure of the Company's obligations and the claimants' rights with respect to the choice of the automobile repair shop within five calendar days following the Company's oral recommendation of an automobile repair facility. The Department alleges these acts are in violation of CCR §2695.8(e)(2) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree with the findings and indicate they relied on their Claim Administrator who handles the Manage Repair Program (MRP) to provide these forms. In these instances the required disclosure forms were not provided as required. The Companies state it will re-visit the use of this program and consider substantial changes in the way this program is administered, or discontinue the program with its vendor to effectively monitor compliance with this regulation.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

13. In two instances, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. In these instances, the Company did not tender payment within regulatory guidelines. The Company tendered payment between 36 - 44 days after acceptance of the claim. The Department alleges these acts are in violation of CCR §2695.7(h) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and indicates it is their practice upon acceptance of the claim to tender payment within 30 calendar days. These were isolated errors by the claim handlers. The adjusters involved have been counseled to ensure payments are tendered timely. This requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

14. In two instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing. In these instances, betterment was applied to the estimates but the Company failed to fully explain the basis for the adjustment in writing as required. The Department alleges these acts are in violation of CCR §2695.8(i) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). However, the Company agrees with the findings and states that the adjustments were done at the shop level in these instances. The Company will address this issue with the program administrator to ensure future compliance with this regulation.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

15. In two instances, the Companies required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts. The Department alleges these acts are in violation of CCR §2695.8(g)(3) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree that the warranty language was not provided in these instances. The Companies indicate that their third-party vendor was unaware of the language required under CCR §2695.8(g)(3) thus the guarantee language was not included. The Companies will conduct additional training regarding this issue with staff. A memorandum was provided to all Business Units on July 28, 2014 advising them to require their vendors writing automobile damage estimates to be compliant with this regulation.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

16. In two instances, the Companies failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b). The Department alleges these acts are in violation of CVC §11515(b) and are unfair practices under CIC §790.03(h)(3).

Summary of the Companies' Response: The Companies state they do not believe they violated CIC §790.03(h)(3). However, the Companies agree with the findings and state they will review this requirement with the adjusters involved to ensure familiarity with this requirement.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

17. In one instance, the Company failed to include, in the settlement, sales tax associated with the cost of a comparable vehicle, discounted by the amount of sales tax attributed to the salvage value of the loss vehicle. In this instance in which the owner retained the salvaged vehicle, the Company's total loss settlement did not include the applicable sales tax associated with the cost of the comparable vehicle. The Department alleges this act is in violation of CCR §2695.8(b)(1)(A) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company disagrees that this act is a violation of CIC §790.03(h)(5). However, the Company acknowledges the finding and states the adjuster overlooked the sales tax in this settlement. To remedy the error, the Company issued a check for \$356.12 to the claimant for the sales tax owed. The Company will conduct remedial training with the claim handlers to ensure they are appropriately handling claims.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

18. In one instance, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. In this instance, necessary forms, instructions and assistance was not provided within regulatory guidelines. The Department alleges this act is in violation of CCR §2695.5(e)(2) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). However, the Company agrees that in this instance, the necessary forms, instructions, and reasonable assistance was not provided within 15 calendar days as required. It is the Company's practice to comply with this regulation and this requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

19. In one instance, the Company failed to notify the insured that the file will be reopened if a comparable automobile cannot be purchased for the amount offered or paid. The Department alleges this act is in violation of CCR §2695.8(c) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). However, the Company agrees with the finding and states this was an isolated error by the claim handler involved. This requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

20. In one instance, the Company failed, within 10 days, to forward the properly endorsed certificate of ownership, the license plates and the \$19 fee on a salvage vehicle to the Department of Motor Vehicles. In this instance, notification to the California Department of Motor Vehicles of the total loss settlement on the salvage vehicle was not provided. The Department alleges this act is in violation of CVC §11515(a)(1) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). However, the Company agrees with the finding and states this was an isolated error by the claim handler involved. To remedy the error, the Company contacted the California Department of Motor Vehicles (DMV) and forwarded notification of the total loss settlement for this vehicle.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

21. In one instance, the Company failed to replace the child passenger restraint system that was in use by a child during the accident. The Department alleges this act is in violation of CIC §11580.011(e) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company disagrees that the act is a violation of CIC §790.03(h)(5). However, the Company agrees with the finding and states it is their practice to pay for and replace a child passenger restraint system that was in use by a child during an accident. The Company states this was an isolated error by the claim handler. To remedy the error, the Company contacted the claimant, determined the cost to replace the child passenger restraint system and issued a check for \$316.09 to the claimant. The Company will conduct remedial training with the automobile claim handlers to ensure their understanding of this regulation.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

GAP INSURANCE

22. In one instance, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he

or she may have the matter reviewed by the California Department of Insurance. In this instance, the letter sent to the claimant explaining the submitted items were not covered under the policy did not include the required California Department of Insurance review language. The Department alleges this act is in violation of CCR §2695.7(b)(3) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). In addition, the Company responded as follows:

“We agree that the wording should appear on the letter. In order to remedy this situation we have revised the claim system we use which generated the letter so that wording will automatically pre-populate on the letter when any amount is not covered on a claim. This should ensure no future problems will occur.”

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

WORKERS COMPENSATION

23. In 91 instances, the Companies failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. The Department alleges the Companies failed to comply with Labor Code (LC) §4603.2 and LC§4650. In 45 instances, the Companies failed to correctly pay or object to medical treatment expenses timely as required by LC§4603.2(b)(1). In 45 instances, the Companies failed to include the statutory self-imposed penalty and interest amounts on delayed processing of medical treatment expenses also as required under LC §4603.2(b)(1). In one instance, the Companies failed to pay the initial temporary disability (TD) benefit within 14 days of knowledge of injury as required under LC§4650(a). The Department alleges these acts are in violation of CIC §790.03(h)(5).

Summary of the Companies' Response: The Companies disagree that the acts are a violation of CIC §790.03(h)(5). However, the Companies acknowledge the findings and state it is their practice to process medical bills within 45 days and when a medical bill is not paid timely, to include the statutory self-imposed penalty and interest as required under LC §4603.2(b)(1). As a result of the examination, the Companies have implemented an internal requirement to initially process bills within five calendar days of receipt. Any bill rejected by their re-pricing vendor will be reviewed and processed on the date of receipt. Thus, the internal expectation is that all non-contested medical bills will be processed and approved for payment within 7–10 calendar days of receipt, which is well

within statutory timelines. In addition, the Business Units handling California workers compensation (WC) bills have reviewed the medical bill process workflow. These Business Units have now taken specific steps to promptly transmit medical bills to their medical bill vendor(s). Finally, business units that utilize a third party administrator (TPA) to adjust California workers compensation (WC) claims have been directed to ensure that the TPA is in full compliance with LC §4603.2(b)(1).

As a result of the examination findings, the Companies paid a total of \$2,624.52 in penalties and interest to the providers of the medical services identified in these 45 instances. The Companies also conducted an internal survey of claims closed from July 1, 2010 through June 30, 2013 for penalty and interest payments owed. The Companies completed the survey on June 02, 2014, and reported the results to the Department on June 11, 2014. Out of the 470 medical payment claims reviewed, the Companies issued additional payments of \$2,489.98 in self-imposed penalty and interest on 55 claims. In the one instance in which the Company failed to pay the temporary disability (TD) benefit within 14 days of knowledge of injury, the Company has also issued payment of \$33.33 to the claimant for the 10% self-imposed penalty owed.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

24. In one instance, the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. The Department alleges the Company failed to comply with Title 8 of the California Code of Regulations (CCR) §9792.9. In this instance, the Company failed to respond to a provider's request for authorization as required by CCR §9792.9(b)(1). The Company issued its Utilization Review (UR) decision 10 working days after the request for the treatment authorization was first received. The Department alleges this act is in violation of CIC §790.03(h)(2).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(2). However, the Company agrees with the finding and states it is their practice to issue Utilization Review (UR) decisions within 5 working days after receipt as required by this regulation. This requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.

25. In one instance, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. The Department alleges the Company failed to comply with Title 8 of the California Code of Regulations (CCR) §9812. In this instance, the Company failed to issue the Notice Regarding Temporary Disability (TD) Benefits timely as required by CCR §9812(a)(2). The Department alleges this act is in violation of CIC §790.03(h)(3).

Summary of the Company's Response: The Company states it does not believe it violated CIC §790.03(h)(3). However, the Company agrees with the finding and states this was an isolated error by the claim handler involved. This requirement will be reinforced by the Company through additional education and training.

The Companies have established a Corrective Action Plan which will assure future compliance with the California regulations and laws. The Companies' Corporate Claims and Property & Casualty Legal staff met with the management of all Business Claims Units for California claims and communicated the issues raised on this examination. A follow-up meeting has also been held with the Business Units to confirm all remediation efforts on June 03, 2014.