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

INSURANCE COMPANY OF THE WEST
NAIC # 27847 CDI # 2071-9

AS OF MAY 31, 2012

ADOPTED June 17, 2014

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

June 17, 2014

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:

Insurance Company of the West
NAIC # 27847

Group # 0922

Hereinafter, the Company listed above also will be referred to as ICW or the Company.

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 Company on Commercial Automobile, Personal Automobile, and Workers Compensation claims closed during the period from June 11, 2011 through May 31, 2012, and Workers Compensation claims open as of December 1, 2012. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains all alleged violations of laws that were identified during the course of the examination.

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. 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 Company 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 Company for use in California including any documentation maintained by the Company 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 the Company closed by the CDI during the period June 1, 2011 through May 31, 2012; a review of previous CDI market conduct claims examination reports on the Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claims files was conducted at the offices of the Company in Fullerton, California and Del Mar, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The commercial automobile, personal automobile, and workers' compensation claims reviewed were closed from June 1, 2011 through May 30, 2012, referred to as the "review period". The examiners randomly selected 265 ICW claims files for examination. The examiners cited 153 alleged claims handling violations of the California Insurance Code and other specified codes from this sample file review.

Findings of this examination included the failure to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies; failure to ask if a child passenger restraint system was in use by a child during the accident or was in the vehicle at the time of a loss that was covered by the policy; failure to reimburse the claimant for the purchase of a new child restraint system; failure to provide written notice of the need for additional time or information every 30 calendar days; failure to conduct and diligently pursue a thorough, fair, and objective investigation; failure to begin investigation of the claim within 15 calendar days; and failure to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

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

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

The Company was the subject of 14 California consumer complaints and inquiries closed from June 1, 2011 through May 31, 2012, in regard to the lines of business reviewed in this examination. Of the complaints and inquiries, the CDI determined none of the complaints was justified. There was no specific area of concern identified in the complaint review.

The previous claims examination reviewed a period from June 1 2008 through May 31, 2009. The most significant noncompliance issues identified in the previous examination report were the Company's failure to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear; failure to supply the claimant with a copy of the estimate upon which the settlement is based; and failure to provide written notice of the need for additional time or information every 30 calendar days. The Company's failure to provide written notice of the need for additional time or information every 30 calendar days 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:

ICW SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	**CLAIMS IN REVIEW PERIOD**	**SAMPLE FILES REVIEWED**	**NUMBER OF ALLEGED CITATIONS**
Commercial Automobile	3	3	0
Personal Automobile	2002	192	149
Workers' Compensation	8356	70	4
TOTALS	10,361	265	153

TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	ICW Number of Alleged Citations
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.	44
CIC §11580.011(e) [CIC §790.03(h)(3)]	The Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy.	25
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.	16
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.	13
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	The Company failed to begin investigation of the claim within 15 calendar days.	11
CCR §2695.7(d) [CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	9
CCR §2695.8(i) [CIC §790.03(h)(3)]	The Company failed to document the basis of betterment or depreciation. The basis for any adjustment shall be fully explained to the claimant in writing.	6
CCR §2695.7(b) [CIC §790.03(h)(4)] and [CIC §790.03(h)(3)]	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	5
CCR §2695.4(a) [CIC §790.03(h)(1)]	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	4
CCR §2695.5(b) [CIC §790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	4
CCR §2632.13(e)(2) [CIC §790.03(h)(3)]	The Company failed to properly advise the insured that the driver of the insured vehicle was principally at fault for an accident. The determination of fault letter was not sent or the determination of fault letter did not specify the basis of the liability decision or the insured was not advised of their right to reconsideration of the determination of liability.	3
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.	2
CCR §2695.8(j) [CIC §790.03(h)(5)]	The Company applied depreciation or betterment in a first party partial loss claim to the expense of labor necessary to repair or replace the damage.	2

Citation	Description of Allegation	ICW Number of Alleged Citations
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. Determination of the actual cash value (ACV) was not explained.	2
CCR §2632.13(e)(3) [CIC §790.03(h)(3)]	The Company failed to properly advise the insured of the method in which a request for reconsideration of fault can be made.	1
CCR §2695.3(b)(3) [CIC §790.03(h)(3)]	The Company failed to maintain hard copy files or maintain claims files that are accessible, legible and capable of duplication to hard copy for five years.	1
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	1
CIC §790.03(h)(5)/LC §4650	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	1
CIC §790.03(h)(2) /CCR §9792.9(b)(1)	The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.	1
CIC §790.03(h)(2)/CCR §9812	The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.	1
CIC §790.03(h)(2)/CCR §10109(a)	The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.	1
Total Number of Citations		**153**

DESCRIPTONS OF APPLICABLE UNFAIR CLAIMS SETTLEMENT PRACTICES

CIC §790.03(h)(1)	The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverage's at issue.
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)(4)	The Company failed to affirm or deny coverage of claims within a reasonable time after proof of loss requirements had been completed and submitted by the insured.
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 CITATIONS BY LINE OF BUSINESS

PERSONAL AUTOMOBILE **2012 Written Premium: $104,865** **AMOUNT OF RECOVERIES $ 823.12**	**NUMBER OF CITATIONS**
CIC §790.03(h)(3)	44
CIC §11580.011(e)[CIC §790.03(h)(3)]	25
CCR §2695.7(c)(1)[CIC §790.03(h)(3)]	16
CCR §2695.5(e)(2)[CIC §790.03(h)(3)]	13
CCR §2695.5(e)(3)[CIC §790.03(h)(3)]	11
CCR §2695.7(d)[CIC §790.03(h)(3)]	9
CCR §2695.8(i)[CIC §790.03(h)(3)]	6
CCR §2695.7(b)[CIC §790.03(h)(3)]	5
CCR §2695.4(a)[CIC §790.03(h)(1)]	4
CCR §2695.5(b)[CIC §790.03(h)(2)]	4
CCR §2632.13(e)(2)[CIC §790.03(h)(3)]	3
CCR §2695.8(b)(4)[CIC §790.03(h)(3)]	2
CCR §2695.7(p)[CIC §790.03(h)(3)]	2
CCR §2695.8(j)[CIC §790.03(h)(5)]	2
CCR §2632.13(e)(3)[CIC §790.03(h)(3)]	1
CCR §2695.3(b)(3)[CIC §790.03(h)(3)]	1
CCR §2695.5(e)(1)[CIC §790.03(h)(2)]	1
SUBTOTAL	**149**

WORKERS' COMPENSATION **2012 Written Premium: $318,238,213** **AMOUNT OF RECOVERIES $0.00**	**NUMBER OF CITATIONS**
CIC §790.03(h)(5)/ LC§4650	1
CIC §790.03(h)(2)/CCR §9792.9(b)(1)	1
CIC §790.03(h)(2) /CCR §9812	1
CIC §790.03(h)(2) /CCR §10109(a)	1
SUBTOTAL	**4**

TOTAL	**153**

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 Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Company is obligated to ensure that compliance is achieved.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company was asked if it intends to take appropriate corrective action in all jurisdictions where applicable. The Company intends to implement corrective actions in all jurisdictions.

Money recovered within the scope of this report was $823.12 as described in section number 13 below.

PERSONAL AUTOMOBILE

1. In 44 instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. In one instance, the Company improperly closed a Medical Payment coverage on March 29, 2011, without notifying or resolving the claim presented by the insured's attorney. In the remaining 43 instances, the Company failed to set up the appropriate claim reserves according to Company guidelines on claims in its Medical Payment (MP), Bodily Injury (BI), Uninsured Motorist Bodily Injury (UMBI), and Property Damage (PD) lines of coverage. These instances are also not in conformity with the requirements of CIC 995.1 which requires an insurer to promptly make a record and establish claim reserves once notified of a policy claim or receiving independent knowledge of any policy claim. The Department alleges these acts are in violation of CIC §790.03(h)(3).

Summary of Company's Response: The Company states it does not believe it violated CIC 790.03. However, in the first instance, the Company agrees with the finding that a Medical Payment claim was closed improperly and indicates this was an inadvertent error. The Company has reinforced standards for the prompt investigation and processing of claims with its third party administrator (TPA). In addition, the

Company acknowledges that in 43 instances, the claim reserves were not set up appropriately by its third party administrator (TPA) handling its claims. The Company contends that it has a policy in place to set up claim reserves within 30 days of notice or knowledge. The Company agrees that these claims were not handled in line with the Company's policy and has addressed this issue with its third party administrator (TPA). The Company has also reinforced compliance to claims reserving requirements in its most recent audit visit to the TPA to ensure that claim reserves are set up promptly upon notice of claim, but no later than 30 days from notice or knowledge as appropriate. The Company will continue to monitor this aspect of claim reserving compliance on their remaining run-off claims handled by the TPA.

2. In 25 instances, the Company failed to ask if a child passenger restraint system was in use by a child during the accident or was in the vehicle at the time of a loss that was covered by the policy, and failed to reimburse the claimant for the purchasing of a new child restraint system. The Company's template letters to claimants covered a partial inquiry as to whether a child restraint system was in use at the time of the loss. The Company failed to update its letter to include an inquiry as to whether a child restraint system, occupied or unoccupied, was damaged at the time of the accident. The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and has reviewed the statutory requirements of CIC §11580.011(e) with all claim handlers. The Company has also updated its internal procedures and updated its template letters to ensure compliance. The Company provided the Department with copies of the letters that were sent out to claimants covering the elements of the statutory requirements.

3. In 16 instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days. In these instances, the Company failed to send, or transmit the required 30-day status letters within regulatory timelines. 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 Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings

4. In 13 instances, the Company failed to provide necessary forms, and has reviewed the requirements of CCR §2695.7(c)(1) with all file handlers for reinforcement. The Company has also updated its internal procedures to ensure future compliance. **instructions, and reasonable assistance within 15 calendar days.** In 12 instances of Medical Payment (MP) claims, and (one) instance for a bodily injury (BI) claim, the Company did not provide necessary forms, instructions, and reasonable assistance within 15 calendar days. The Company delayed mailing claim forms until after the medical bills were received. In the last instance, the Company received a police report confirming claimant injuries and failed to send the appropriate form to the injured

claimant. The Department alleges these acts are in violation of CCR §2695.5(e)(2) 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. However, the Company agrees with the findings and has reviewed the requirements of CCR §2695.5(e)(2) with all file handlers. The Company has updated its internal procedures to ensure compliance and reinforcement.

5. In 11 instances, the Company failed to begin investigation of the claim within 15 calendar days. In each instance, the Company failed to initiate an investigation pertaining to the pending Medical Payments claim until such time as the Company would receive proof of claim in the form of medical bills. The Department alleges these acts are in violation of CCR §2695.5(e)(3) 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. However, the Company agrees with the findings and has reviewed the requirements of CCR §2695.5(e)(3) with all file handlers. The Company has also updated its internal procedures to ensure compliance and reinforcement.

6. In nine instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In seven instances, the Company failed to investigate Medical Payment (MP) claims/invoices for extended periods of time exceeding thirty days. In one Bodily Injury claim, the Company failed to diligently attempt to reach the claimant attorney for information to conclude the claim, causing a delay in obtaining information, including medical records associated with the claimant's injury claim. In the last instance on a property damage claim, the Company received the claim on November 1, 2011 and did not attempt to contact the claimant, verbally or in writing, to determine the Company's extent of liability and exposure, until settlement was paid on February 8, 2012. The Department alleges these acts are in violation of CCR §2695.7(d) 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. However, the Company agrees with the findings and has reviewed the requirements of CCR §2695.7(d) with all file handlers. The Company has updated its internal procedures to ensure compliance and reinforcement.

7. In six instances, the Company failed to document the basis of betterment or depreciation. The basis for any adjustment shall be fully explained to the claimant in writing. In five instances, the Company failed to document and/or provide a detailed explanation in writing for the deduction of depreciation and/or betterment. In one instance, the Company also failed to explain deduction for an unrelated prior damage. 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. However, the Company agrees with the findings that it failed to provide a detailed explanation of the deductions to settlement due to betterment, depreciation and unrelated prior damage. The Company has reviewed the requirements of CCR §2695.8(i) with all file handlers and has updated its internal procedures to ensure compliance and reinforcement. In addition, the Company has revised its settlement letter to include a copy of the betterment/depreciation worksheet, and a detailed explanation.

8. In five instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. Three instances involved Medical Payment (MP) first-party claims which were delayed for handling beyond the regulatory timeline. The two remaining instances were third party property damage claims which were not addressed within the regulatory requirement of 40 calendar days. The Department alleges these acts are in violation of CCR §2695.7(b) and are unfair practices under CIC §790.03(h)(3) and CIC §790.03(h)(4).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and states that it has reviewed the requirements of CCR §2695.7(b) with all file handlers. In one third-party property damage claim involving a multi-claimant loss with minimum liability policy limits, the Company indicates it was unable to make prorata offers until it received property damage claims from all of the claimants. In this case, the Company acknowledges that regulatory written notices should have been sent to advise the claimant of the reason for the pending status. As a result of the examination, the Company has also updated its internal procedures to ensure compliance and reinforcement.

9. In four instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges these acts are in violation of CCR §2695.4(a) and are unfair practices under CIC §790.03(h)(1).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and states that it has reviewed the requirements of CCR §2695.4(a) with all file handlers. The Company has also updated its internal procedures to ensure compliance with regulation.

10. In four instances, the Company failed to respond to communications within 15 calendar days. In three bodily injury (BI) claims and one uninsured motorist bodily injury (UMBI) claim, the Company failed to respond to communications within 15 calendar days. 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 Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and states that these instances are isolated events of non-compliance. The Company has reviewed the requirements of CCR §2695.5(b) with all file handlers during regular training.

11. In three instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident. In three instances, the Company failed to indicate the basis for the determination of fault and/or failed to send the required notice. The Department alleges these acts are in violation of CCR §2632.13(e)(2) 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. However, the Company agrees with the findings. The Company indicates it has a practice and procedure in place requiring that a complete "Principally-at-Fault" letter be sent in accordance with regulations. A refresher training was conducted with claims staff in October 2012 wherein the Company reiterated the procedure to include a clear and factual explanation as to the finding of fault. The Company's procedures and guidelines have also been updated.

12. In two instances, the Company failed to provide written notification to a first party claimant of its decision to discontinue pursuit of 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 Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and has reviewed the requirements of CCR §2695.7(p) with all file handlers during its regular training.

13. In two instances, the Company applied depreciation or betterment in a first party partial loss claim to the expense of labor necessary to repair or replace the damage. The Company applied a depreciation amount to the expense of labor on the estimates to repair the insured's vehicles. The Department alleges these acts are in violation of CCR §2695.8(j) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings. As a result of this examination, the Company reopened both claims and issued additional payments to the insureds in the amount of $746.32 and $76.80. The Company has also reviewed the requirements of CCR §2695.8(j) with all file handlers during its regular training.

14. In two 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, and failed to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. An itemization of all

components of the settlement was not provided, and the determination of the actual cash value (ACV) was not explained. 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 Company states it does not believe it violated CIC 790.03. However, the Company agrees with the findings and has reviewed the requirements of CCR §2695.8(b)(4) with all file handlers during its regular training session.

15. In one instance, the Company failed to properly advise the insured of the method in which a request for reconsideration of fault can be made. The Company advised the insured that a request for reconsideration of the liability determination must be in writing. The Company failed to follow its guidelines pertaining to the referral method when a reconsideration of fault has been requested. The Department alleges this act is in violation of CCR §2632.13(e)(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. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. It is the Company's guideline that a request for reconsideration will be referred to someone other than the original claim handler who issued the "at fault" notice. The Company has addressed this compliance issue with pertinent staff for reinforcement.

16. In one instance, the Company failed to maintain hard copy files or maintain claims files that are accessible, legible and capable of duplication to hard copy for five years. The Department alleges this act is in violation of CCR §2695.3(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. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. The Company has addressed this compliance issue with pertinent staff for reinforcement.

17. In one instance, the Company failed to acknowledge notice of claim within 15 calendar days. The Department alleges this act is in violation of CCR §2695.5(e)(1) and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. The Company has addressed this compliance issue with pertinent staff for reinforcement.

WORKERS' COMPENSATION

18. In one instance, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. The Company failed to pay temporary disability benefits in a timely manner. The Department alleges this act is in violation of Labor Code §4650 and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the finding and states this was an isolated error of noncompliance which was discovered and addressed prior to the Department's examination. Upon discovery and receipt of proper completed claim forms, appropriate benefits were paid by the Company. The Company will continue to monitor claims handling for quality control.

19. In one instance, the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. The Company responded to a request for a utilization review (UR) more than five (5) business days from receipt of the request for authorization. The Department alleges this act is in violation of Title 8,CCR § 9792.9(b)(1) and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. The Company has addressed this compliance issue with the pertinent vendor for reinforcement.

20. In one instance, the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. The Company failed to provide a notice of delay, denial, or acceptance of the claim within 14 days of the employer's date of knowledge of injury and disability. The Department alleges this act is in violation of Title 8, CCR § 9812 and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. The Company has addressed this compliance issue with pertinent staff for reinforcement.

21. In one instance, the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. The Company failed to conduct a reasonable and timely investigation upon receiving notice or knowledge of an injury or claim for a workers' compensation benefit. The notice of claim was received on October 29, 2008 and acknowledgment and investigation did not commence until December 12, 2008, or 44 days from initial notice.

The Department alleges this act is in violation of Title 8, CCR §10109(a) and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response: The Company states it does not believe it violated CIC 790.03. However, the Company agrees with the finding and states that this was an isolated error of non-compliance. The Company has addressed this compliance issue with pertinent staff for reinforcement.