

[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**

**21st CENTURY PREMIER INSURANCE COMPANY
NAIC # 20796 CDI # 0336-8**

AS OF May 31, 2013

ADOPTED AUGUST 22, 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



August 22, 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:

21st Century Premier Insurance Company
NAIC # 20796

NAIC Group # 0069

Hereinafter, the Company listed above also will be referred to as CPI 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 Personal Automobile claims closed during the period from June 1, 2012 through May 31, 2013. 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’s 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 this Company closed by the CDI during the period June 1, 2012 through May 31, 2013; and a review of previous CDI market conduct claim examination reports on this Company.

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

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Personal Automobile claims reviewed were closed from June 1, 2012 through May 31, 2013, referred to as the “review period”. The examiner randomly selected 76 CPI claims files for examination. The examiner cited 23 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included the failure to acknowledge notice of claim within 15 calendar days; failure to begin investigation of the claim within 15 calendar days; and failure to provide necessary forms, instructions, and reasonable assistance 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 Company was the subject of six California consumer complaints and inquiries closed from June 1, 2012 through May 31, 2013, in regard to the line of business reviewed in this examination. The CDI alleged one violation of law. Of the complaints and inquiries, the CDI determined one complaint was justified for failure of the insurer to use its own name. There was no specific area of concern identified in the complaint review.

The previous claims examination reviewed a period from September 1, 2002 through August 31, 2003. The most significant noncompliance issues identified in the previous examination report were the Company's failure to include the California fraud warning on insurance forms; and the Company's failure to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. These issues were not 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:

CPI SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED CITATIONS
Personal Automobile / Liability	438	70	16
Personal Automobile / Uninsured Motorist	10	3	2
Personal Automobile / Medical Payment	8	2	0
Personal Automobile / Physical Damage	3	1	5
TOTALS	459	76	23

TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	CPI Number of Alleged Citations
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.	6
CCR §2695.5(e)(3) *[CIC §790.03(h)(3)]	The Company failed to begin investigation of the claim within 15 calendar days.	6
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	5
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	2
CCR §2695.7(f) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim.	2
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.	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.	1
Total Number of Citations		23

***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)(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

AUTOMOBILE 2012 Written Premium: \$116,831 AMOUNT OF RECOVERIES \$500.00	NUMBER OF CITATIONS
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	6
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	6
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	5
CCR §2695.7(d) [CIC §790.03(h)(3)]	2
CCR §2695.7(f) [CIC §790.03(h)(3)]	2
CCR §2695.4(a) [CIC §790.03(h)(1)]	1
CCR §2695.7(h) [CIC §790.03(h)(5)]	1
SUBTOTAL	23
TOTAL	23

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 \$500.00 as described in section number 7.

AUTOMOBILE

1. **In six instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.** In these instances, necessary forms, instructions and/or assistance were not provided within regulatory guidelines. The Company sent forms and/or provided assistance between 19 – 477 days after notice of claim. 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 agrees that in these instances, the necessary forms, instructions, and reasonable assistance was not provided within fifteen calendar days as required. It is the Company's practice to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. This requirement has been reinforced by the Company through additional education and training. Since the time of these claims handling, there have been three refresher trainings on California Fair Claim Settlement Practices which were mandatory for all California claim handlers.

2. In six instances, the Company failed to begin investigation of the claim within 15 calendar days. In these instances, the investigation of the claim did not begin within regulatory guidelines. The Company began investigation between 19 – 477 days after notice of claim. 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 agrees that in these instances, the investigation of the claims did not begin within fifteen calendar days as required. It is the Company's practice to begin investigation of the claim within 15 calendar days. This requirement has been reinforced by the Company through additional education and training. Since the time of these claims handling, there have been three refresher trainings on California Fair Claim Settlement Practices which were mandatory for all California claim handlers.

3. In five instances, the Company failed to acknowledge notice of claim within 15 calendar days. In these instances, the claim was not acknowledged within regulatory guidelines. Upon notice of claim, the Company acknowledged receipt between 19 – 477 days later. 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 Company's Response: The Company agrees that in these instances the claims were not acknowledged within fifteen calendar days as required. It is the Company's practice to acknowledge notice of claim within 15 calendar days. This requirement has been reinforced by the Company through additional education and training. Since the time of these claims handling, there have been three refresher trainings on California Fair Claim Settlement Practices which were mandatory for all California claim handlers.

4. In two instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In both instances, there were lengthy time periods and/or gaps in claim activity with no investigation conducted on the claim files. 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 agrees with these findings. It is the Company's practice to conduct and pursue a thorough, fair and objective investigation of a claim. This requirement has been reinforced by the Company through additional education and training. Since the time of these claims handling, there have been three refresher trainings on California Fair Claim Settlement Practices which were mandatory for all California claim handlers.

5. In two instances, the Company failed to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. The Company did not provide written notice of the statute of limitation pertaining to uninsured motorist at least 30 days prior to expiration. Specifically in these two instances, the notice advising the claimants that the statute was going to expire was

sent 20 days prior to the statute expiration date. The Department alleges these acts are in violation of CCR §2695.7(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with these findings. It is the Company's practice to provide written notice of any statute of limitation as required by this regulation. These instances were the result of an unintentional oversight by the claim handler. This requirement has been reinforced by the Company through additional education and training. As a result of the examination and to correct the errors in these instances, the Company tolled the statute, and provided new statute of limitation letters in order to provide the claimants additional time to file suit. The Company had also conducted three refresher trainings on California Fair Claim Settlement Practices which were mandatory for all California claim handlers.

6. In one instance, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. In this instance the Company did not disclose any benefits to the insured either verbally or in writing. The Department alleges this act is in violation of CCR §2695.4(a) and is an unfair practice under CIC §790.03(h)(1).

Summary of the Company's Response: The Company agrees with this finding. It is the Company's practice to disclose all benefits, coverage, time limits or other provisions of the insurance policy. This instance was the result of an unintentional oversight by the claim handler. This requirement has been reinforced by the Company through additional education and training with the claim handler involved.

7. In one instance, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. In this instance, a settlement agreement was reached with the claimant and a release was provided to the claimant to sign and return to the Company prior to the payment being issued. The claimant returned the signed release on May 5, 2011, however, the Company failed to issue the payment. The Department alleges this act is in violation of CCR §2695.7(h) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees with this finding. It is the Company's standard practice to issue payment within 30 calendar days upon acceptance of the claim. The Company indicates the claim handler overlooked the returned release and the claim was inadvertently closed. Based on the examiner's finding, the Company has now issued payment to the claimant in the amount of \$500.00 to resolve the claim. This requirement has been reinforced by the Company through additional education and training with the claim handler involved.