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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**

**INDIANA LUMBERMENS MUTUAL  
INSURANCE COMPANY  
NAIC # 14265 CDI # 0333-5**

**AS OF MARCH 31, 2013**

**ADOPTED MARCH 17, 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 17, 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:

**Indiana Lumbermens Mutual Insurance Company  
NAIC # 14265**

**Group NAIC # 0246**

Hereinafter, the Company listed above also will be referred to as Indiana Lumbermens Mutual, ILM, 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](http://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 and Commercial Multiple Peril claims closed during the period from April 1, 2012 through March 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.

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 examiner, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or 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 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 April 1, 2012 through March 31, 2013; 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 Department of Insurance in San Francisco, California.

## **EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED**

The Commercial Automobile and Commercial Multiple Peril claims reviewed were closed from April 1, 2012 through March 31, 2013, referred to as the “review period”. The examiners randomly selected 106 ILM claims files for examination. The examiners cited 81 alleged claims handling violations of the California Insurance Code, the California Code of Regulations and other specified codes from this sample file review.

Findings of this examination include the failure to ask if a child passenger restraint system was in use or was in the vehicle at the time of the loss, failure to provide the claimant with a copy of the automobile repair estimate, failure to disclose all provisions of the insurance policy, failure to include a statement in its claims denial that the matter may be reviewed by the California Department of Insurance, and the failure to include all applicable fees and sales tax on automobile total loss settlements.

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

The results of the market analysis review indicate that, in July 2013, Indiana Lumbermens Mutual Insurance Company announced it had reached an agreement to form an affiliation with Pennsylvania Lumbermens Mutual Insurance Company (PLM), pending regulatory approval. In November 2013, the states of Indiana and Pennsylvania, in which ILM and PLM are domiciled respectively, gave their regulatory approval of the affiliation agreement.

The review of consumer complaints and inquiries of ILM during the review period revealed no specific areas of concern. No consumer complaints regarding this company were received during this time period.

The previous claims examination reviewed a period from January 1, 2000 through December 31, 2000. There was no specific area of concern identified in the previous claims examination.

Indiana Lumbermens Mutual has not been the subject of any prior enforcement action by the California Department of Insurance regarding claim handling practices.

## DETAILS OF THE CURRENT EXAMINATION

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

<b>ILM SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS IN REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Commercial Automobile / Physical Damage	49	28	40
Commercial Automobile / Liability	97	40	41
Commercial Automobile / Uninsured Motorist	3	3	-0-
Commercial Multiple Peril / Property	23	10	-0-
Commercial Multiple Peril / Liability	73	25	-0-
<b>TOTALS</b>	247	106	81

## TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	ILM Number of Alleged Violations
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 the accident or was in the vehicle at the time of a loss that was covered by the policy.	12
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.	11
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.	9
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	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.	9
CCR §2695.85(a) *[CIC §790.03(h)(3)]	The Company failed to provide the insured with the Auto Body Repair Consumer Bill of Rights either at the time of application for automobile insurance, at the time a policy was issued, or following an accident.	9
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(3)]	The Company failed to inform the claimant of his or her right to seek a refund of the unused license fees from the Department of Motor Vehicles.	5
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.	4
CVC §11515(b) *[CIC §790.03(h)(3)]	The Company failed to notify the Department of Motor Vehicles that the owner of a total loss salvage vehicle retained possession of the vehicle.	4
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.	3
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, the sales tax, the license fee and/or other annual fees computed based upon the remaining term of the current registration.	3
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(3)]	The Company failed to disclose in writing to the claimant that notice of the salvage retention by the claimant must be provided to the Department of Motor Vehicles and that this notice may affect the loss vehicle's future resale and/or insured value.	3

Citation	Description of Allegation	ILM Number of Alleged Violations
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.	3
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(5)]	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.	2
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Determination of the actual cash value (ACV) was not explained.	2
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
<b>Total Number of Alleged Violations</b>		<b>81</b>

**\*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 coverages at issue.
- 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**

<p align="center"><b>COMMERCIAL AUTOMOBILE</b>                  2012 Written Premium: \$2,507,351</p> <p><b>AMOUNT OF RECOVERIES                      \$1,310.41</b></p>	<p align="center"><b>NUMBER OF ALLEGED VIOLATIONS</b></p>
CIC §11580.011(e) [CIC §790.03(h)(3)]	12
CCR §2695.8(f) [CIC §790.03(h)(3)]	11
CCR §2695.4(a) [CIC §790.03(h)(1)]	9
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	9
CCR §2695.85(a) [CIC §790.03(h)(3)]	9
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	5
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	4
CVC §11515(b) [CIC §790.03(h)(3)]	4
CCR §2695.7(p) [CIC §790.03(h)(3)]	3
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	3
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	3
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	3
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	2
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	2
CCR §2695.8(i) [CIC §790.03(h)(3)]	2
<b>SUBTOTAL</b>	<b>81</b>

<b>COMMERCIAL MULTIPLE PERIL Property</b> 2012 Written Premium: \$2,269,196 <b>AMOUNT OF RECOVERIES        \$-0-</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
<b>SUBTOTAL</b>	<b>-0-</b>

<b>COMMERCIAL MULTIPLE PERIL Liability</b> 2012 Written Premium: \$784,690 <b>AMOUNT OF RECOVERIES        \$-0-</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
<b>SUBTOTAL</b>	<b>-0-</b>

<b>TOTAL</b>	<b>81</b>
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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 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 \$1,106.49 as described in section numbers 8, 10 and 13 below. Following the findings of the examination, a closed claims survey as described in section numbers 8, 10 and 13 below was conducted by the Company resulting in additional payments of \$203.92. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$1,310.41.

### **COMMERCIAL AUTOMOBILE**

1. **In 12 instances, 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.** The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that, in these 12 instances, it did not document the claim file whether or not the Company asked the claimant if a child car seat was in use or was in the vehicle at the time of the loss, as required under CIC §11580.011(e). On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with Pennsylvania Lumbermens Mutual (PLM) in July 2013, the Company conducted a

second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**2. In 11 instances, the Company 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 Company's Response:** The Company acknowledges that, in these 11 instances, the adjuster failed to document that the claimant was furnished with a copy of the repair estimate. It is the Company's practice to provide copies of vehicle repair estimates to all claimants. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**3. In nine 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 acknowledges that, in these nine instances, it did not document the claim file that the insured was advised of all coverages, deductibles, time limits and benefits. It is the Company's procedure that claims adjusters inform the insured about the policy's provisions and limitations that may apply to a particular claim situation. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**4. In nine instances, 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 (CDI).** The Department alleges these acts are in violation of CCR §2695.7(b)(3) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that, in these nine instances, it failed to include the required reference to the CDI in its claim denial letter. To ensure future compliance with this requirement, the Company provided

its adjusters with the contact information for the CDI and also placed the contact information in the Company's reference files. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**5. In nine instances, the Company failed to provide the insured with the Auto Body Repair Bill of Rights either at the time of application for automobile insurance, at the time a policy was issued, or following an accident.** The Department alleges these acts are in violation of CCR §2695.85(a) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that, in these nine instances, it did not furnish the insured with a copy of the Auto Body Repair Consumer Bill of Rights (ABRCBR) at the time of application for a policy, at the time when a policy is issued, or following the notice of an accident. This was an oversight on the part of the adjuster. Although the ABRCBR was not furnished to the insured, ILM and its adjusters have always adhered to the principles expressed in the ABRCBR. The adjusters have been instructed to send the ABRCBR to an insured on all California automobile claims. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. The Company is currently considering including the ABRCBR with all of its California automobile policies. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**6. In five instances, the Company failed to inform the claimant of his or her right to seek a refund of the unused license fees from the Department of Motor Vehicles.** The Department alleges these acts are in violation of CCR §2695.8(b)(1)(A) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that, in these five instances, the file handler did not advise the claimant of the right to seek unused license fees from the Department of Motor Vehicles (DMV). On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**7. In four instances, the Company failed to notify the Department of Motor Vehicles that the owner of a total loss salvage vehicle retained possession of the vehicle.** 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 Company's Response:** The Company acknowledges that, in these four instances, it did not provide the notice of owner-retained salvage to the DMV. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**8. In four instances, the Company failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status.** 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 Company's Response:** The Company acknowledges that, in these four instances, it did not pay the salvage certificate fee to transfer the claimant's vehicle to a salvage status. As a result of this examination, the Company paid a total of \$60.00 to the four claimants identified in these instances. In addition, the Company conducted an internal survey of such claims that were closed from January 1, 2010 through December 31, 2012. The Company completed its review and reported the results to the Department on September 26, 2014. The Company reviewed 20 total loss claims over the three year period and paid a total of \$60.00 to four claimants to correct the non-payment of the salvage certificate fee. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**9. In three instances, the Company failed to provide written notification to a first party claimant as to whether the insurer intends 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 Company's Response:** The Company acknowledges that, in these three instances, it did not inform the insured in writing that it would pursue subrogation. The Company reminded adjusters of this requirement under the California statute. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and

applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

**10. In three instances, the Company failed to include in the settlement the applicable taxes, the license fee and other annual fees computed based upon the remaining term of the current registration.** In two of the three instances, the Company failed to include the unexpired license fee. In the last instance, the Company failed to include sales tax in the total loss settlement. 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 Company's Response:** The Company acknowledges that, in these three instances, the total loss settlement calculation does not appear to have included the applicable taxes, and/or the unused license and other annual DMV fees as required by CCR §2695.8(b)(1). As a result of this examination, the Company paid a total of \$717.71 to the three claimants identified in these instances. In addition, the Company conducted an internal survey of total loss claims that were closed from January 1, 2010 through December 31, 2012. The Company completed its review and reported the results to the Department on September 26, 2014. The Company reviewed 20 total loss claims over the three-year period and paid a total of \$143.92 to two claimants to correct the non-payment of the unused vehicle license fee. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**11. In three instances, the Company failed to disclose in writing to the claimant that notice of the salvage retention by the claimant must be provided to the Department of Motor Vehicles and that this notice may affect the loss vehicle's future resale and/or insured value.** The Department alleges these acts are in violation of CCR §2695.8(b)(1)(A) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that, in these three instances, it did not inform the owner of the need to notify the DMV of the owner-retained salvage. Adjusters have been reminded of this requirement under the California statute. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**12. In three 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.** 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 acknowledges that, in these three instances, it did not document the claim file that the insured was given a written explanation of the total loss settlement, as required by CCR §2695.8(b)(4). On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**13. In two instances, 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.** 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 Company's Response:** The Company acknowledges that, in these two instances, it did not include the appropriate sales tax amount in the owner-retained total loss salvage settlement, as required by CCR §2695.8(b)(1)(A). As a result of this examination, the Company paid a total of \$328.78 to the two claimants identified in these instances. In addition, the Company initiated an internal survey of total loss claims that were closed from April 1, 2010 through March 31, 2013. The Company completed its review and reported the results to the Department on September 26, 2014. The Company reviewed 20 total loss claims over the three-year period and did not discover any instances of the non-payment of sales tax in owner-retained salvage. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**14. In two instances, the Company failed to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. 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 acknowledges that, in these two instances, it did not document the claim file that the insured was given a written explanation on how the market value was determined, as required by CCR §2695.8(b)(4). On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following its affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. Additionally, going forward, all total loss vehicle claims will be reviewed by the claims manager prior to any offers being made.

**15. In two instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing.** 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 acknowledges that it did not explain in writing the basis for the betterment in these two instances. On September 30, 2013, ILM provided training to all claims staff members who handle California losses. Following the Company's affiliation with PLM in July 2013, the Company conducted a second training session in January 2014. Both sessions included this topic as part of the overall training which also covered the results of the examination and applicable California insurance laws. In addition, the Company is in the process of arranging web-based training with its California defense counsel.

### **Commercial Multiple Peril**

There were no violations alleged or criticisms of insurer practices made in this line of business within the scope of this report.