

**[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**

**ACE AMERICAN INSURANCE COMPANY  
NAIC # 22667 CDI # 1325-0**

**ACE FIRE UNDERWRITERS INSURANCE COMPANY  
NAIC # 20702 CDI # 1922-4**

**ACE FIRE PROPERTY and CASUALTY INSURANCE COMPANY  
NAIC # 20669 CDI # 0002-6**

**BANKER STANDARD INSURANCE COMPANY  
NAIC # 18279 CDI # 2168-3**

**INDEMNITY INSURANCE COMPANY of NORTH AMERICA  
NAIC # 43575 CDI # 3074-2**

**PACIFIC EMPLOYERS INSURANCE COMPANY  
NAIC # 22748 CDI # 0743-5**

**WESTCHESTER FIRE INSURANCE COMPANY  
NAIC # 10030 CDI # 0144-6**

**As of June 30, 2013**

**ADOPTED JUNE 19, 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



June 19, 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:

**ACE American Insurance Company**  
**NAIC # 22667**  
**ACE Fire Underwriters Insurance Company**  
**NAIC # 20702**  
**ACE Fire Property and Casualty Insurance Company**  
**NAIC # 20699**  
**Bankers Standard Insurance Company**  
**NAIC # 18279**  
**Indemnity Insurance Company of North America**  
**NAIC # 43575**  
**Pacific Employers Insurance Company**  
**NAIC # 22748**  
**Westchester Fire Insurance Company**  
**NAIC # 10030**  
**Group NAIC # 626**

Hereinafter, the Companies listed above also will be referred to individually as AAIC, AFUIC, AFPCIC, BSIC, IICONA, PEIC, WFIC, 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](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 Companies during the period of July 1, 2012, through June 30, 2013, on Private Passenger Automobile, Commercial Automobile, and Workers Compensation claims. 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 in this report 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 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 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 handled by the CDI during the same time period and a review of prior CDI market conduct examination reports on these Companies.

The review of the sample of individual claim files was conducted at the Companies' TPA offices in Chatsworth, California and Basking Ridge, New Jersey, and at the Companies' office in Wilmington, Delaware.

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

The Private Passenger Automobile, Commercial Automobile, Commercial Multi-Peril, Surety, 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 281 claims files for examination. The examiners cited 72 alleged violations of the California Insurance Code and other specified codes from this sample file review.

Findings of this examination included the failure to send required at-fault letters, failure to send copies of repair estimates, failure to investigate whether a child restraint seat was in any vehicle involved in an accident, failure to process claims timely, failure to include all fees in total loss settlements, failure to pay interest, and a failure to document in its claim file the investigatory acts undertaken and the information obtained as a result of the investigation.

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

The Companies were the subject of 13 California consumer complaints and inquiries from July 1, 2012 and June 30, 2013. The review of the complaints identified no specific areas of concern.

The previous claims examination reviewed a period from January 1, 2002 and December 31, 2002. The most significant noncompliance issues identified in the prior examination report were the Companies' failure to include the California fraud warning on insurance forms, failure to use the correct company name, failure to notify the Department of Motor Vehicles (DMV) that the owner of a total loss salvage vehicle retained possession of the vehicle and failure to notify the insured or owner of his responsibility to notify DMV of retention of a salvage vehicle. 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:

<b>ACE AMERICAN INSURANCE COMPANY 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 / Property Damage	225	41	0
Commercial Automobile / Bodily Injury	37	7	1
Workers' Compensation / Indemnity	2,064	3	0
Workers' Compensation / Medical Only	5,536	29	7
Workers' Compensation / Denied	1,307	3	0
Workers' Compensation / Open	3,642	18	1
<b>TOTALS</b>	<b>12,811</b>	<b>101</b>	<b>9</b>

<b>ACE FIRE UNDERWRITERS INSURANCE COMPANY SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Commercial Automobile / Property Damage	23	4	0
Commercial Automobile / Bodily Injury	7	1	0
Workers' Compensation / Indemnity	50	1	0
Workers' Compensation / Medical Only	128	1	0
Workers' Compensation / Denied	48	1	0
Workers' Compensation / Open	85	1	0
<b>TOTALS</b>	341	9	0

<b>ACE FIRE PROPERTY &amp; CASUALTY INSURANCE COMPANY SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Commercial Automobile / Property Damage	10	2	0
Workers' Compensation / Indemnity	26	1	0
Workers' Compensation / Medical Only	76	1	0
Workers' Compensation / Denied	30	1	0
<b>TOTALS</b>	142	5	0

**BANKERS STANDARD INSURANCE COMPANY SAMPLE FILES REVIEW**

<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Private Passenger Automobile / Collision	528	54	24
Private Passenger Automobile / Collision Total Losses	28	2	0
Private Passenger Automobile / Property Damage	327	51	16
Private Passenger Automobile / Comprehensive	74	7	0
Private Passenger Automobile / Comprehensive Total Losses	41	10	18
Private Passenger Automobile / Bodily Injury	42	6	5
Private Passenger Automobile / Med Pay	45	25	0
Workers' Compensation / Indemnity	12	1	0
Workers' Compensation / Medical Only	16	1	0
Workers' Compensation / Denied	8	1	0
<b>TOTALS</b>	1121	158	63

**INDEMNITY INSURANCE COMPANY OF NORTH AMERICA SAMPLE FILES REVIEW**

<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Workers' Compensation / Indemnity	39	1	0
Workers' Compensation / Medical Only	153	1	0
Workers' Compensation / Denied	60	1	0
Workers' Compensation / Open	149	1	0
<b>TOTALS</b>	401	4	0

<b>PACIFIC EMPLOYERS INSURANCE COMPANY SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Workers' Compensation / Indemnity	12	1	0
Workers' Compensation / Medical Only	20	1	0
Workers' Compensation / Denied	5	1	0
<b>TOTALS</b>	<b>37</b>	<b>3</b>	<b>0</b>

<b>WESTCHESTER FIRE INSURANCE COMPANY SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Surety / Contractor License Bonds	2	2	0
Commercial Multi-Peril/Liability	8	1	0
<b>TOTALS</b>	<b>10</b>	<b>3</b>	<b>0</b>

## TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	AAIC	AFUIC	AFPCIC	BSIC	IICONA	PEIC	WFIC
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	0	0	0	23	0	0	0
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.	1	0	0	14	0	0	0
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.	0	0	0	6	0	0	0
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.	0	0	0	5	0	0	0
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.	0	0	0	6	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.	0	0	0	4	0	0	0
CIC §790.03(h)(3)	The Company failed to document in its claim files the investigatory acts undertaken and the information obtained as a result of the investigation.	3	0	0	0	0	0	0
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 not less than 60 days prior to the expiration date.	0	0	0	2	0	0	0

Citation	Description of Allegation	AAIC	AFUIC	AFPCIC	BSIC	IICONA	PEIC	WFIC
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	0	0	0	1	0	0	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 it intended to pursue subrogation.	0	0	0	1	0	0	0
CIC §10123.13(b) *[CIC §790.03(h)(5)]	The Company failed to pay interest on an uncontested claim after 30 working days.	1	0	0	0	0	0	0
CIC §790.03(h)(5)	The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.	4	0	0	0	0	0	0
CIC §880 *[CIC §790.03(h)(3)]	The Company failed to conduct its business in its own name.	0	0	0	1	0	0	0
<b>Sub-Totals of Alleged Violations</b>		9	0	0	63	0	0	0
<b>Total Number of Alleged Violations</b>		<b>72</b>						

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

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 ALLEGED VIOLATIONS BY LINE OF BUSINESS**

<b>PRIVATE PASSENGER AUTOMOBILE</b> <b>2012 Written Premium: \$1,687,702.00</b>  <b>Amount of Recoveries \$1,177.98</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CCR §2632.13(e)(2) [CIC §790.03(h)(3)]	23
CIC §11580.011(e) [CIC §790.03(h)(3)]	14
CCR §2695.8(f) [CIC §790.03(h)(3)]	6
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	5
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	6
CCR §2695.8(c) [CIC §790.03(h)(3)]	4
CCR §2695.7(f) [CIC §790.03(h)(3)]	2
CCR §2695.7(h) [CIC §790.03(h)(5)]	1
CCR §2695.7(p) [CIC §790.03(h)(3)]	1
CIC §880 [CIC §790.03(h)(3)]	1
<b>SUBTOTAL</b>	<b>63</b>

<b>WORKERS' COMPENSATION</b> <b>2012 Written Premium: \$119,932,667.00</b>  <b>AMOUNT OF RECOVERIES \$3,520.47</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CIC §790.03(h)(5)	6
CIC §790.03(h)(3)	2
<b>SUBTOTAL</b>	<b>8</b>

<b>COMMERCIAL AUTOMOBILE</b> <b>2005 Written Premium: \$214,074,422</b>  <b>Amount of Recoveries \$0</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CCR §2695.7(f) [CIC §790.03(h)(3)]	1
<b>SUBTOTAL</b>	<b>1</b>

<b>GRAND TOTAL</b>	<b>72</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 \$4,698.45 as described in sections number 2, 5, and 11 below. Following the findings of the examination, a closed claim survey covering the period July 1, 2010 through June 30, 2013, as described in section 5 below was conducted by the Company resulting in additional payments of \$13,727.02. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$19,428.45.

### **PRIVATE PASSENGER AUTOMOBILE**

1. **In 23 instances, the Company (Bankers Standard Insurance Company) failed to provide written notice that the driver of the insured vehicle was principally at-fault for an accident.** In these instances, the Company failed to provide written notice that the driver of the insured's vehicle was determined to be principally at fault. The Department alleges these acts are in violation of CCR §2632.13(e)(1) and are unfair practices under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, BSIC acknowledges the findings and states, of the 23 instances where such violation of CCR § 2632.13(e)(2) was determined to exist, in 16 instances the Company claim adjuster verbally advised the insured that they were

principally at fault for the accident and documented such in the claim file. The Company further states that subsequent to the 23 claims but prior to the examination, the Company created a claims handling compliance map setting forth the rules and regulations for each State. The Company has also revised its Best Practices Manual to include a provision that an at-fault letter must be sent to the insured in instances where the driver of the insured vehicle is determined to be principally at-fault for the accident and the Company provided training to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

**2. In 14 instances, the Company (Bankers Standard Insurance Company) failed to ask if a child passenger restraint system (CPRS) was in use in an accident.** 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, BSIC respectfully submits that it is the Company's practice to cover any damage to a CPRS from an accident and to issue payment promptly. Further, in 13 of the instances where such violations were determined to exist, photographs of the vehicle and contents following the loss revealed that there were no child passenger restraint systems in the vehicles at the time of any of the losses. Additionally, in one instance, damage to a CPRS was determined to exist and on March 12, 2015 the Company appropriately reimbursed the claimant \$175.00. Additionally, the Company reinforced its Best Practices Manual procedure concerning this statute requirement with its claims staff.

**3. In six instances, the Company (Bankers Standard Insurance 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, the Company acknowledges the findings and respectfully submits that claim file notes document the estimate was either sent to claimant's repair shop of choice or verbally explained to the claimant. The Company further submits that it created a claims handling compliance map setting forth the rules and regulations for each State subsequent to the handling of these claims and prior to the examination. In addition, the Company states it revised its Best Practices Manual to include a provision that states copies of all estimates must be provided to the claimant. The Company provided training to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

**4. In six instances, the Company (Bankers Standard Insurance 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 files did not contain a written explanation of

the settlement that included the ACV, plus tax, plus DMV fees, etc. 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, the Company acknowledges the findings. As a result of the Department's concerns regarding letters explaining the total settlement fees, on March 20, 2014 and March 21, 2014 Bankers Standard sent a separate written explanation of the settlement that included the ACV, plus tax, plus DMV fees. Additionally the Company, subsequent to these claims and prior to the examination, also created a claims handling compliance map setting forth the rules and regulations for each State and provided training to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

**5. In five instances, the Company (Bankers Standard Insurance Company) failed to include in the settlement the license fee and other annual fees computed based upon the remaining term of the registration.** 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(5). However the Company acknowledges the findings and states following the examination, for all claims where the Department determined that the total loss settlement did not include license fees and/or other annual fees, a supplemental payment was issued to the claimant. The supplemental payments issued totaled \$1,002.98. The Company also conducted a self survey of total loss settlements. The Company reviewed 207 total loss claims within the window period of January 23, 2010 through March 15, 2014. The Company issued additional payments to 107 claimants totaling \$14,730.00. The Company provided evidence of the completion of the self-review to the Department. Further, the Company provided training to all auto adjusters handling matters in California on March 29, 2014 regarding fees and costs to be included in total loss settlements.

**6. In four instances, the Company (Bankers Standard Insurance 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 these acts are in violation of CCR §2695.8(c) and are unfair practices under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, as a result of the examination, the Company revised its total loss settlement letter to include the notification. Subsequent to these claims and prior to the examination, the Company also created a claims handling compliance map setting forth the rules and regulations for each State and provided training to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

**7. In two instances, the Company (Bankers Standard Insurance Company) failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date.** In one instance the claimant was initially represented when the Company received notice of claim. However, prior to closure of the claim and upon notification that claimant was no longer represented, the Company failed to send the claimant a notice of the statute of limitations. In the other instance the injured party withdrew his claim and the Company provided verbal notice of the statute of limitations. 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). Regarding CCR § 2695.7(f), the Company responds as follows: In the first instance where a violation was determined to exist, the claim file notes document that the claimant was initially represented by an attorney, who later withdrew as counsel. The claim files notes reflect that the adjuster believed the claimant was advised of the expiration of the statute of limitations by her attorney. In the second instance where the violation was determined to exist, the file notes document that claimant verbally advised that he was withdrawing his claim and was verbally advised regarding the statute of limitations. The Company respectfully submits that the failure to provide a written letter to the claimant in both instances was inadvertent and did not cause harm. Subsequent to these claims and prior to the examination, the Company created a claims handling compliance map setting forth the rules and regulations for each State. The Company also has revised its Best Practices Manual to include a provision that any claimant not represented by an attorney must be advised of the statute of limitations at least 60 days prior to the expiration date. Training was provided to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

**8. In one instance, the Company (Bankers Standard Insurance Company) failed, upon acceptance of the claim, to tender payment within 30 calendar days.** The Company failed to promptly pay the collision damage waiver upon confirmation that the at-fault party was uninsured. 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 Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(5). However the Company acknowledges the findings and states in the one instance where the violation was cited, the subrogation adjuster determined that the liable third-party had no insurance; however, inadvertently did not inform the handling adjuster that the liable third-party was uninsured. Once the handling adjuster was informed that the liable third-party had no insurance, the deductible was reimbursed to the insured. Additionally, subsequent to this claim and prior to the examination, the Company created a claims handling compliance map setting forth the rules and regulations for each State. The Company also provided training to all auto adjusters handling matters in California regarding requirements on timeliness of handling claims on March 29, 2014.

9. **In one instance, the Company (Bankers Standard Insurance Company) failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.** The Company failed to provide the insured with written notification of the intent to pursue subrogation. The Department alleges this act is in violation of CCR §2695.7(p) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However the Company acknowledges the findings and states, "the claim file notes document that a verbal discussion regarding the intent to pursue subrogation occurred." The Company further states it that was successful in its pursuit of subrogation and issued reimbursement to the insured for the deductible. Additionally, the Company created a claims handling compliance map setting forth the rules and regulations for each State subsequent to the handling of this claim and prior to the examination. The Company also revised its Best Practices Manual to include a provision that notification must be provided to an insured when subrogation will be pursued. Training was provided to all auto adjusters handling matters in California regarding this requirement on March 29, 2014.

10. **In one instance, the Company (Bankers Standard Insurance Company) failed to conduct its business in its own name.** The at-fault letter did not state the underwriting insurance company name. The Department alleges this act is in violation of CIC §880 and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However the Company acknowledges the findings and states the claim adjuster improperly used the name ACE Private Risk Services as opposed to Bankers Standard Insurance Company. The Company respectfully submits that this is an isolated instance. Training was provided to all auto adjusters handling matters in California on March 29, 2014 to reinforce statute and regulations requirements.

## **WORKERS' COMPENSATION**

11. **In six instances the Company (ACE American Insurance Company) failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.** In three instances the Companies failed to include interest on delayed payments. In two instances the Companies failed to pay medical bills within 45 working days. In one instance the Company failed to issue timely payment for a mileage reimbursement claim. The Department alleges these acts are in violation of Labor Code §4603.2(b)(1) and are unfair practices under CIC §790.03(h)(5).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, the Company agrees that payment should have included interest in three instances, and issued interest checks totaling \$143.76. The Company

also agrees that the processing of medical bills was not timely. In one of these two instances the medical bill remained unpaid until a Department of Insurance Inquiry occurred. As a result of the examination, a payment was issued in the amount of \$3,343.22. In the third instance, the Company agrees that the original mileage reimbursement form was overlooked. A payment in the amount of \$33.49 was issued as a result of the examination. Additionally, the Company has reinforced claims handling procedures with its workers' compensation staff claims handlers.

**12. In two instances, the Company (ACE American Insurance Company) failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.** In two instances the Company could not confirm the actual date bills were received. The Company assumed the receipt date was the date the bills were processed for payment. The Department alleges these acts are in violation of Title 8 CCR §10109(d) and are unfair practices under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). AAIC acknowledges the error in date-stamping, and believes that the payments were made timely. However, as a result of the examination, the Company has reinforced regulations and procedures regarding proper recording of bills. The Company conducted training on March 29, 2014 to reinforce regulations and procedures.

### **COMMERCIAL AUTOMOBILE**

**13. In one instance, the Company (ACE American Insurance Company) failed to investigate whether a child passenger restraint system was in use in an accident.** The Department alleges this act is in violation of CIC §11580.011(e) and is an unfair practices under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company disagrees that it violated CIC § 790.03(h)(3). However, AAIC acknowledges the findings and states its practices and procedures require that adjusters investigate whether a child passenger restraint system was in use in an accident. The Company states its Best Practices Manual procedure was reinforced with all adjusters to ensure that the procedure of investigating whether a child restraint seat was within the vehicle, at the time of a loss, is documented in all claim files.

### **COMMERCIAL MULTI-PERIL AND SURETY**

There were no violations of law alleged pertaining to these line of business.