

**[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**

**DONGBU INSURANCE COMPANY
NAIC # 12502 CDI # 5170-0**

AS OF JANUARY 31, 2014

ADOPTED AUGUST 28, 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



August 28, 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:

**Dongbu Insurance Company
NAIC # 12502**

Group NAIC # 4672

Hereinafter, the Company listed above also will be referred to as Dongbu, DIC, 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 Private Passenger Automobile, Commercial Automobile, and Commercial Multiple Peril claims closed during the period from February 1, 2013 through January 31, 2014. 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 claim 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 February 1, 2013 through January 31, 2014; a review of previous CDI market conduct claims examination reports on this Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claim files was conducted at the offices of York Risk Services Group, a third party administrator (TPA), in Roseville, California. The Company delegates its claims handling function to this TPA.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Private Passenger Automobile, Commercial Automobile, and Commercial Multiple Peril claims reviewed were closed from February 1, 2013 through January 31, 2014, referred to as the “review period”. The examiners randomly selected 306 DIC claim files for examination. The examiners cited 681 alleged claims handling violations of the California Insurance Code (CIC), the California Code of Regulations (CCR), and the California Vehicle Code from this sample file review.

Findings of this examination included: the failure to provide written notice of the need for additional time every 30 calendar days; the failure to conduct and diligently pursue a thorough, fair and objective investigation; the failure to supply the claimant with a copy of the estimate; the failure to accept or deny the claim within 40 calendar days; the failure 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; and the failure to fully itemize and explain in writing the cost of a comparable vehicle at the time the total loss settlement offer is made.

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, 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 six California consumer complaints and inquiries closed from February 1, 2013 through January 31, 2014, in regard to the lines of business reviewed in this examination. Of the complaints and inquiries, the CDI determined none were justified. Therefore, there was no specific area of concern identified in the complaint review.

There have been no prior claims examinations conducted upon this Company by the California Department of Insurance.

DIC has not been the subject of a prior enforcement action by the California Department of Insurance.

DETAILS OF THE CURRENT EXAMINATION

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

DIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Private Passenger Automobile / Physical Damage / Collision	321	48	151
Private Passenger Automobile / Physical Damage / Comprehensive	70	10	47
Private Passenger Automobile / Liability / Property Damage	497	48	124
Private Passenger Automobile / Liability / Bodily Injury	142	14	26
Private Passenger Automobile / Uninsured Motorist Property Damage	11	9	12
Private Passenger Automobile / Uninsured / Underinsured Motorist Bodily Injury	14	12	9
Private Passenger Automobile / Medical Payment	8	7	22
Commercial Automobile / Physical Damage Collision and Comprehensive	411	58	166
Commercial Automobile / Liability / Bodily Injury and Property Damage	492	50	37
Commercial Multiple Peril / Commercial Property	347	21	37
Commercial Multiple Peril / Commercial Liability	346	29	50
TOTALS	2659	306	681

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	DIC Number of Alleged Violations
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.	102
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	51
	The Company persisted in seeking information not reasonably required for or material to the resolution of a claims dispute.	2
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.	48
CCR §2695.7(b) *[CIC §790.03(h)(3)] <i>Third Party</i> *[CIC §790.03(h)(4)] <i>First Party</i>	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	46
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 covered loss.	39
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.	23
	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.	8
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.	18
	The Company failed to provide written notification to a first party claimant of its decision to discontinue pursuit of subrogation.	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.	24
CCR §2695.7(g) *[CIC §790.03(h)(5)]	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	21

Citation	Description of Allegation	DIC Number of Alleged Violations
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.	12
	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.	9
CCR §2632.13(e)(1) *[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. Specifically, the determination of fault letter was not sent.	17
	The Company failed to specify in its principally at-fault notice that the accident resulted in bodily injury or death.	3
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, the one-time fees incident to transfer of evidence of ownership of a comparable automobile.	19
CIC §1874.6 *[CIC §790.03(h)(3)]	The Company failed to report an automobile theft and salvage total loss to the National Automobile Theft Bureau.	18
CCR §2695.5(b) *[CIC §790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	10
	The Company failed, in its response, to furnish the claimant with a complete response.	7
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.	17
CIC §1861.05(a) *[CIC §790.03(h)(5)]	The Company failed to amend the premium charged to the insured to reflect the current exposure following the total loss of the vehicle that previously served as the exposure basis for rating purposes.	15
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	14
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.	14

Citation	Description of Allegation	DIC Number of Alleged Violations
CCR §2695.5(e)(2) *[CIC §790.03(h)(3)]	The Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.	13
CCR §2632.13(e)(2) *[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.	12
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.	12
CCR §2695.5(e)(3) *[CIC §790.03(h)(3)]	The Company failed to begin investigation of the claim within 15 calendar days.	10
CCR §2695.8(i) *[CIC §790.03(h)(3)]	The Company failed to document the basis of betterment or depreciation.	5
	The Company failed to fully explain the basis for any adjustment to the claimant in writing.	5
CCR §2695.8(g)(3) *[CIC §790.03(h)(3)]	<p>The Company required the use of non-original equipment manufacturer replacement crash parts and failed to disclose in writing, in any estimate prepared by or for the insurer, the fact that it warrants such parts are at least equal to the original equipment manufacturer parts in terms of kind, quality, safety, fit, and performance. <i>(effective 03/30/2013)</i></p> <p style="text-align: center;"><i>or</i></p> <p>The Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts. <i>(prior to 03/30/2013)</i></p>	9
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	7
CCR §2695.8(b)(1) *[CIC §790.03(h)(5)]	The Company failed to include, in the settlement, all applicable taxes.	6
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.	6
CCR §2695.8(g)(5) *[CIC §790.03(h)(3)]	The Company required the use of non-original equipment manufacturer replacement crash parts without the use of such parts disclosed in accordance with §9875.1 of the California Business and Professions Code.	6

Citation	Description of Allegation	DIC Number of Alleged Violations
CIC §1871.3(a) *[CIC §790.03(h)(3)]	The Company failed to secure a theft affidavit from the insured prior to the settlement of the claim.	5
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(3)]	The Company failed to deduct a salvage value from the settlement that was determined by the amount for which a salvage pool or a licensed salvage dealer, wholesale motor vehicle auction or dismantler will purchase the salvage.	5
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.	5
CIC §11580.011(e) *[CIC §790.03(h)(5)]	The Company failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system that was in use by a child during the accident or if it sustained a covered loss while in the vehicle.	4
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	4
CCR §2695.9(f) *[CIC §790.03(h)(3)]	The Company failed to document the basis of betterment, depreciation, or salvage.	2
	The Company failed to fully explain the basis for any adjustment to the claimant in writing.	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.	3
CCR §2695.7(b)(1) *[CIC §790.03(h)(3)]	The Company failed to deny, dispute or reject a third party claim, in whole or in part, in writing.	2
CCR §2695.8(k) *[CIC §790.03(h)(5)]	The Company failed to pay the reasonable towing and storage charges incurred by the claimant.	2
CVC §11515(b) *[CIC §790.03(h)(3)]	The Company failed to notify the Department of Motor Vehicles (DMV) that the owner of a total loss salvage vehicle retained possession of the vehicle.	1
	The Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b).	1
CIC §758.6 *[CIC §790.03(h)(5)]	The Company failed to honor the methodology used in determining paint and material charges by offering or paying an amount unrelated to the particular methodology.	1

Citation	Description of Allegation	DIC Number of Alleged Violations
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.	1
CIC §1871.3(a)(1) *[CIC §790.03(h)(3)]	The Company failed to include the penalty of perjury warning on its theft affidavit.	1
CCR §2695.7(q) *[CIC §790.03(h)(5)]	The Company failed to share subrogation recoveries on a proportionate basis with the first party claimant.	1
CCR §2695.9(d) *[CIC §790.03(h)(3)]	The Company settled the claim on the basis of a written scope and/or estimate without supplying the insured with a copy of each document upon which the settlement was based.	1
CCR §2695.9(f) *[CIC §790.03(h)(5)]	The Company improperly applied betterment or depreciation to property not normally subject to repair and replacement during the useful life of the property.	1
Total Number of Alleged Violations		681

***DESCRIPTORS 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)(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 ALLEGED VIOLATIONS BY LINE OF BUSINESS

<p align="center">PRIVATE PASSENGER AUTOMOBILE 2013 Written Premium: \$1,887,760 2014 Written Premium: \$913,298</p> <p>AMOUNT OF RECOVERIES \$39,102.28</p>	<p align="center">NUMBER OF ALLEGED VIOLATIONS</p>
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	47
CIC §11580.011(e) [CIC §790.03(h)(3)]	32
CCR §2695.8(f) [CIC §790.03(h)(3)]	28
CCR §2695.7(d) [CIC §790.03(h)(3)]	25
CCR §2695.7(b) [CIC §790.03(h)(3)] / [CIC §790.03(h)(4)]	22
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	21
CCR §2632.13(e)(1) [CIC §790.03(h)(3)]	20
CCR §2695.4(a) [CIC §790.03(h)(1)]	19
CIC §1874.6 [CIC §790.03(h)(3)]	18
CCR §2695.7(p) [CIC §790.03(h)(3)]	16
CCR §2632.13(e)(2) [CIC §790.03(h)(3)]	12
CCR §2695.5(b) [CIC §790.03(h)(2)]	12
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	12
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	11
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	11
CCR §2695.8(i) [CIC §790.03(h)(3)]	10
CIC §1861.05(a) [CIC §790.03(h)(5)]	9
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	9
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	9
CCR §2695.8(c) [CIC §790.03(h)(3)]	9
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	6
CCR §2695.7(g) [CIC §790.03(h)(5)]	5
CIC §11580.011(e) [CIC §790.03(h)(5)]	4
CCR §2695.7(h) [CIC §790.03(h)(5)]	4
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	3
CCR §2695.8(g)(3) [CIC §790.03(h)(3)]	3
CIC §790.03(h)(5)	2
CIC §1871.3(a) [CIC §790.03(h)(3)]	2

TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

PRIVATE PASSENGER AUTOMOBILE 2013 Written Premium: \$1,887,760 2014 Written Premium: \$913,298	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$39,102.28	
CCR §2695.7(b)(1) [CIC §790.03(h)(3)]	2
CCR §2695.8(k) [CIC §790.03(h)(5)]	2
CIC §758.6 [CIC §790.03(h)(5)]	1
CIC §1871.3(a)(1) [CIC §790.03(h)(3)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(q) [CIC §790.03(h)(5)]	1
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	1
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	1
SUBTOTAL	391

COMMERCIAL AUTOMOBILE 2013 Written Premium: \$17,579,296 2014 Written Premium: \$19,656,419	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$164,952.93	
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	24
CCR §2695.8(f) [CIC §790.03(h)(3)]	20
CCR §2695.7(d) [CIC §790.03(h)(3)]	16
CCR §2695.7(b) [CIC §790.03(h)(3)] / [CIC §790.03(h)(4)]	15
CCR §2695.7(g) [CIC §790.03(h)(5)]	15
CCR §2695.7(p) [CIC §790.03(h)(3)]	13
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	10
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	9
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	8
CIC §11580.011(e) [CIC §790.03(h)(3)]	7
CIC §1861.05(a) [CIC §790.03(h)(5)]	6
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	6
CCR §2695.8(g)(3) [CIC §790.03(h)(3)]	6

COMMERCIAL AUTOMOBILE 2013 Written Premium: \$17,579,296 2014 Written Premium: \$19,656,419	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$164,952.93	
CCR §2695.8(g)(5) [CIC §790.03(h)(3)]	6
CIC §790.03(h)(5)	5
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	5
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	5
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	5
CCR §2695.4(a) [CIC §790.03(h)(1)]	4
CIC §1871.3(a) [CIC §790.03(h)(3)]	3
CCR §2695.8(c) [CIC §790.03(h)(3)]	3
CCR §2695.5(b) [CIC §790.03(h)(2)]	2
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	2
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	2
CVC §11515(b) [CIC §790.03(h)(3)]	2
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	1
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(f) [CIC §790.03(h)(3)]	1
SUBTOTAL	203

COMMERCIAL MULTIPLE PERIL 2013 Written Premium: \$14,299,963 2014 Written Premium: \$18,761,569	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$732.90	
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	31
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	12
CCR §2695.7(d) [CIC §790.03(h)(3)]	12
CCR §2695.7(b) [CIC §790.03(h)(3)] / [CIC §790.03(h)(4)]	9
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	4
CCR §2695.9(f) [CIC §790.03(h)(3)]	4
CCR §2695.5(b) [CIC §790.03(h)(2)]	3

COMMERCIAL MULTIPLE PERIL 2013 Written Premium: \$14,299,963 2014 Written Premium: \$18,761,569 AMOUNT OF RECOVERIES \$732.90	NUMBER OF ALLEGED VIOLATIONS
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	3
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	2
CCR §2695.7(f) [CIC §790.03(h)(3)]	2
CIC §790.03(h)(3)	1
CCR §2695.4(a) [CIC §790.03(h)(1)]	1
CCR §2695.7(g) [CIC §790.03(h)(5)]	1
CCR §2695.9(d) [CIC §790.03(h)(3)]	1
CCR §2695.9(f) [CIC §790.03(h)(5)]	1
SUBTOTAL	87
TOTAL	681

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.

In light of the number of alleged claims handling violations cited in the examination, the Company implemented a plan to correct the errors and to enhance its oversight of York Risk Services, its third party administrator (TPA). DIC has instructed its TPA to conduct periodic audits of claims handling and provide DIC with the results of the audits. The internal audit program within the TPA will be done on a quarterly basis and will consist of file reviews of at least two to three adjusters each quarter. An audit sheet will be prepared for each claim reviewed. The audits will be used to identify areas of opportunity for enhanced training and procedural standards. DIC will review the results of the audits and take the appropriate corrective action as needed.

As an additional tool to avoid future errors, DIC developed a Claims Audit Procedure manual that includes a checklist reflecting the findings in this examination. DIC will audit a sample of the claims that exceed the amount of the TPA's specified authority, will evaluate the results of the TPA's internal audit, and will continually assess the issues arising out of the claims management meetings. Furthermore, DIC will expand its regular claims management meetings with the TPA's staff to be held twice a month.

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 states it will take appropriate, corrective action on matters that extend outside of California. The Company intends to

implement corrective actions based on the regulations governing the jurisdiction where the loss occurred.

Money recovered within the scope of this report was \$56,069.13 as described in section numbers 5, 14, 16(a), 17, 22(a), 22(b), 23, 29, 30, 31, 34, 35, 36, 41(a), 41(b), 41(c), 41(d), 41(e), 45(a), 45(b), 47, 51, 52, 53, 54, 78 and 80 below. Following the findings of the examination, closed claims surveys as described in section numbers 2, 14, 15(a), 17, 22(a), 23, 41(b), 41(c), 45(b), 46, 47 and 48(a) below were conducted by the Company resulting in additional payments of \$148,718.98. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$204,788.11.

PRIVATE PASSENGER AUTOMOBILE

1. **In 47 instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days.** 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 acknowledges that additional time letters were not sent in all identified instances. In two of these instances, the adjuster was on an extended leave. As a remedy in these situations, the backup adjuster and supervisor will continue to work adjusters' claim files during their leave to meet all time requirements. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to send additional time letters. In order to maintain compliance, staff will set a reminder for the 35th day from the date the claim is received and will set additional reminders every 25th day thereafter as long as the file remains open. The additional time letters will specify any additional information needed to determine liability.

2. **In 32 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.** Specifically, the Company failed, in all identified instances, to ask whether a child passenger restraint system (CPRS) was in use by a child during the accident or was unoccupied and damaged at the time of the loss. 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, while its practice is to ask if a child passenger restraint system was in the vehicle at the time of the accident, the files do not clearly document this was done in all identified instances. The Company addressed identified claims in the internal survey below. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014, regarding this insurance code. In order to maintain compliance, the claim files must reflect any discussion as well as the result. If the adjuster is unable to speak with the insured or claimant, correspondence will be sent inquiring about a CPRS. Proof of replacement is not necessary; the adjuster will determine the cost of a comparable unit for payment.

In response to a concern the Company may have overlooked the payment of the CPRS in the past, the Company conducted an internal survey of all California collision, comprehensive, uninsured motorist property damage, and property damage claims it settled with a date of loss from June 1, 2012 through August 2014. The internal survey reviewed all claim files in the above referenced categories to identify files in which it is unclear if a CPRS was in the vehicle and/or the insured or claimant was not compensated when a CPRS was present. A letter was sent on these claims advising the insured or the claimant to notify the Company if there was a CPRS in the vehicle and to respond within 30 days. Each response was reviewed to determine if additional sums were owed. If a limit had been reached or a release secured, no additional payment was made. The Company completed the survey and reported the results to the Department on October 27, 2014. The Company reviewed 994 first-party claims and 664 third-party claims. The Company identified 12 claims in which the CPRS was owed and not paid during the survey period. As a result of the survey, the Company issued payments totaling \$1,359.99.

3. In 28 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, while its practice is to supply the claimant with a copy of the original estimate and any supplemental estimates, the file does not provide evidence this was done in all identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to provide a copy of all estimates to the vehicle owner. In order to maintain compliance and to ensure proper documentation, the Company requires that each file include written documentation confirming the estimate and supplemental estimates were provided.

4. In 25 instances, the Company failed to comply with the requirements of CCR §2695.7(d).

4(a). In 24 instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In all identified instances, the Company's claims handling resulted in delays. The lack of a diligent investigation resulted in gaps in file activity, delayed vehicle inspections, delayed requests for vehicle valuation reports for total losses, delayed payments, and/or delayed coverage denials. In some instances, the Company failed to order the police report timely or, when it was received, failed to review it for several days/months. In other claims, the Company knew the identity of a party involved in the accident and did not attempt to contact that party within a reasonable amount of time; in some cases, several months passed without attempting to make contact. Additionally, the file was either void of any documented investigative activity pertaining to liability or it demonstrated little to no activity regarding the investigation. Several claims included file notes with instruction from the supervisor, yet no action was taken by the adjuster. In some instances, the Company did not conduct a follow-up investigation of an injury or it failed to review a bodily injury demand package for more than one month after receiving it. In one claim, settlement authority was not granted for a period of more than one month. In another claim, the Company directed the insured to provide a copy of the police report and did not offer to reimburse the insured for obtaining a copy thus placing the responsibility for investigation on the insured. 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 to 4(a): While it is the Company's best practice to conduct and diligently pursue a thorough, fair and objective investigation by contacting all involved parties within 24 hours of assignment and by proactively seeking contact information through various sources such as police reports, an internet search, etc., the Company acknowledges the claim handling, follow-up, and investigation were not done timely and do not fall within the Company's best practice or handling instructions. In one instance, the adjuster was on an extended leave. As a remedy in these situations, the backup adjuster and supervisor will continue to work adjusters' claim files during their leave to meet all time requirements. To ensure future compliance regarding this regulatory requirement, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

4(b). In one instance, the Company persisted in seeking information not reasonably required for or material to the resolution of a claims dispute. Specifically, the Company requested the insured's social security number to process an uninsured motorist property damage claim payment, which was not material to the resolution of the claim. The Department alleges this act is in violation of is in violation of CCR §2695.7(d) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response to 4(b): The Company acknowledges this finding. The adjuster incorrectly believed that the subject claim required a social security number; however, the Company had the necessary information to resolve the claim. As a result of this finding, the adjuster was counseled on this matter.

5. In 22 instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. Fifteen of these instances pertain to third-party claims and seven of these instances pertain to first-party claims. 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 acknowledges it failed to accept or deny the claim within the regulatory requirement in all identified instances. As a result of the findings of the examination, the Company issued a payment totaling \$225.00 for a fire department bill that it failed to accept or deny in one instance involving a first-party claim. In another instance, the adjuster was on an extended leave. As a remedy in these situations, the backup adjuster and supervisor will continue to work adjusters' claim files during their leave to meet all time requirements. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

6. In 21 instances, the Company failed to comply with the requirements of CCR §2695.8(b)(4) for a written explanation on total loss settlements.

6(a). In 14 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. Specifically, the Company failed to provide a written explanation of how it arrived at the actual cash value (ACV), either by sending a copy of the computerized automobile valuation or by furnishing some other written explanation. The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

6(b). In seven 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. Specifically, the Company failed to provide a full disclosure in writing and failed to itemize how the total loss settlement amounts were calculated. 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 to 6(a) and 6(b): The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total

loss letter effective November 15, 2014. The letter is sent out as follow up to all verbal communications and includes a copy of the total loss evaluation.

7. In 20 instances, the Company failed to comply with the requirements of CCR §2632.13(e)(1).

7(a). In 17 instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident. All instances involved the failure to send the determination of fault notice. 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 the Company's Response 7(a): As a result of these findings, the Company sent an at-fault letter to each insured in the identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to send the principally at-fault notice.

7(b). In three instances, the Company failed to specify in its principally at-fault notice that the accident resulted in bodily injury or death. 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 the Company's Response 7(b): The Company acknowledges that while the principally at-fault notices were sent, the Company failed to specify that the accident resulted in bodily injury. The Company updated its at-fault letter template for compliance with the code and included this template in the training conducted with staff on June 2, 2014.

8. In 19 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, while its practice is to explain and disclose to the insured all benefits, coverages, limits, deductibles and time limits applicable to the claim, the file does not provide evidence this was done in all identified instances. To ensure future compliance, the Company counseled the adjusters involved and conducted training with staff on June 2, 2014. Staff was informed that the file must reflect that coverages were discussed. If the adjuster is unable to discuss coverage with the insured, the coverages must be provided to the insured in writing. As an additional remedial measure, the Company developed a template acknowledgement letter to be utilized by staff effective November 15, 2014.

9. In 18 instances, the Company failed to report an automobile theft and salvage total loss to the National Automobile Theft Bureau (NICB). The Department alleges these acts are in violation of CIC §1874.6 and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges that it was not reporting total losses to NICB in its claims handling. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014, regarding this requirement. Additionally, the Company finalized a contract with Insurance Services Office (ISO) that enables the Company to comply with the applicable reporting requirement by reporting automobile theft and total losses to the NICB database through ISO Claim Search. As a result of the findings of the examination, the Company reported the identified claims through this process.

10. In 16 instances, the Company failed to comply with the requirements of CCR §2695.7(p):

10(a). In eight 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).

10(b). In eight 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 to 10(a) and 10(b): The Company acknowledges the files do not include written notification to the insured as it relates to subrogation. To ensure future compliance, the Company conducted training with staff on June 2, 2014. The subrogation protocols were reiterated including the need for appropriate letters and completion of system indicators. Furthermore, the Company developed a template letter to be utilized by staff effective November 15, 2014, which notifies the insured of either the intent to pursue subrogation or the decision to discontinue subrogation.

11. In 12 instances, the Company failed to properly advise the insured of the method by which a request for reconsideration of fault can be made. Specifically, the Company advised the insured, in all identified instances, that a request for reconsideration of the liability determination must be in writing. 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 acknowledges these findings. The appropriate language was addressed with staff and reinforced through

training conducted on June 2, 2014. Additionally, template letters were changed to comply with the referenced regulation.

12. In 12 instances, the Company failed to comply with the requirements of CCR §2695.5(b):

12(a). In eight instances, 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).

12(b). In four instances, the Company failed, in its response, to furnish the claimant with a complete response. 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 to 12(a) and 12(b): In eight instances, the Company acknowledges it failed to respond to communications within the regulatory timeframe. In four instances, while the adjuster responded timely to communications, the response was incomplete. To ensure future compliance, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Not only must the response be documented in the claim file, it must also address all questions and requests. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

13. In 12 instances, the Company failed to comply with the disclosure requirements of CCR §2695.8(b)(1)(A):

13(a). In seven 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).

13(b). 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 to 13(a) and 13(b): The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template total loss letter to be utilized by staff and which includes the referenced disclosures, effective November 15, 2014.

14. In 11 instances, the Company failed to include, in the settlement, the one-time fees incident to transfer of evidence of ownership of a comparable vehicle.

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: As a result of the findings of the examination, the Company issued payments of the fees totaling \$161.25 to the 11 identified claimants. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow-up to all verbal communications and includes a copy of the total loss evaluation.

In response to the concern that the Company may have overlooked the payment of one-time fees incident to transfer of ownership on Company-retained total losses in the past, the Company conducted an internal survey of first-party claims with a date of loss of June 1, 2011 through June 1, 2014, and of third-party claims with a date of loss of June 1, 2012 through June 1, 2014. The date range of the internal survey for first-party claims represents the date the Company began selling Private Passenger Automobile policies in California. The Company completed the survey and reported the results to the Department on March 2, 2015. The Company identified 83 claims in which the one-time transfer fee was either not paid or the amount paid was incorrect. In other instances, when the total loss was recalculated, the amount of additional fees owed was a partial amount due to the overall evaluation. As a result of the survey, the Company issued payments totaling \$933.17 to vehicle owners.

15. In 11 instances, the 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).

15(a). In seven instances, the Company manually calculated the license fee and other annual fees based upon the remaining term of the registration by dividing the amount paid for registration by twelve and then multiplying the number of months remaining on the term of the registration in the Company-retained total loss settlements. This method does not consider all of the annual fees and, therefore, may result in an underpayment.

Summary of the Company's Response to 15(a): The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company retained a new salvage vendor to provide a correct breakdown of fees for the remaining term of the loss vehicle's current registration. The Company also conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow up to all verbal communications and includes a copy of the total loss evaluation.

In response to a concern the Company may have incorrectly calculated the remaining term of the registration owed the vehicle owner in the past, the Company conducted an internal survey for first-party and third-party claims with a date of loss of June 1, 2012 through June 1, 2014. The Company completed the survey and reported the results to the Department on April 1, 2015. The Company identified 123 claims including the seven instances noted above and the four instances noted below in section 15(b) for which a review of the unused registration took place. As a result of the survey, the Company issued payments totaling \$6,039.53 to vehicle owners.

15(b). In four instances, the Company did not include any consideration for the remaining term of the registration in the Company-retained total loss settlement.

Summary of the Company's Response to 15(b): The Company acknowledges these findings in all identified instances. The Company retained a new salvage vendor to provide a correct breakdown of fees for the remaining term of the loss vehicle's current registration. The Company also conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow-up to all verbal communications and includes a copy of the total loss evaluation. Payments for these instances are included in section 15(a) above.

16. In 10 instances, the Company failed to comply with the requirements of CCR §2695.8(i).

16(a). In five instances, the Company failed to document the basis of betterment or depreciation. Specifically, in four instances, the Company failed to include a measurement of the tread wear on tires that would support the amount of the deduction. In one instance, the repair estimate included a deduction for a cover and seat cushion with no documentation to support the reason for the deduction. The Department alleges these acts are in violation of CCR §2695.8(i) and are unfair practices under CIC §790.03(h)(3).

16(b). In five instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing. Specifically, while the Company provided a copy of the estimate to the vehicle owner, the explanation and justification for the adjustment was not provided. 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 to 16(a) and 16(b): The Company acknowledges these findings in all identified instances. As a result of the findings of the examination, the Company issued payments totaling \$445.83 on the identified claim files in section 16(a). To ensure future compliance regarding these regulatory requirements, the Company conducted remedial training with staff on June 2, 2014. The adjusters are to review appraisals for betterment or depreciation. If the appraiser deducts betterment or depreciation, a full explanation is required. If the appraisal does not include a full explanation outlining the calculation of betterment or depreciation, the

adjuster will address this with the appraiser. Any depreciation or betterment must be clearly documented on the estimate and in the file with confirmation the estimate was sent to the vehicle owner.

17. In nine instances, the Company failed to amend the premium charged to the insured to reflect the current exposure following the total loss of the vehicle that previously served as the exposure basis for rating purposes. No rate shall remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of Chapter 9, Article 10 of the California Insurance Code.

The Department alleges these acts are in violation of CIC §1861.05(a) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges these findings in all identified instances. The Company's standard practice is to amend the premium charged to the insured following the total loss of the insured's vehicle. Although the Company's guidelines require the TPA to notify the general agent in the event of a total loss, this notification was not provided in all cases. As a consequence, in some cases the general agent was not informed of the total loss and, thus, was not aware of the need to amend the premium. To correct the error, the TPA modified its reporting to the Company to include notice of all insured total losses in order to initiate the appropriate premium amendments. Until further system programming can be completed, the adjusters will provide an underwriting alert to the Company via e-mail. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As a result of the findings of the examination, a total of \$1,891.97 in unearned premium was returned to these policyholders in the identified claims.

In response to a concern the Company may not have amended the premium charged to an insured following a total loss in the past, the Company conducted an internal survey for claims with a date of loss of June 1, 2011 through June 2014. The internal survey was accomplished by identifying all of the total losses and then determining which of these did not result in the premium being amended. The Company completed the survey and reported the results to the Department on October 27, 2014. The Company reviewed 134 total loss claims and identified 89 claims in which the premium was not amended. As a result of the survey, the Company returned unearned premium totaling \$10,617.17 to these identified policyholders

18. In nine instances, the Company failed to acknowledge notice of claim within 15 calendar days. 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 acknowledges these findings. To ensure future compliance regarding this regulatory requirement, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014.

19. In nine instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. 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 acknowledges these findings. To ensure future compliance regarding this regulatory requirement, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014.

20. In nine instances, the Company failed to notify the insured that the file will be reopened if a comparable automobile cannot be purchased for the amount offered or paid. The Department alleges these acts are in violation of CCR §2695.8(c) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template total loss letter effective November 15, 2014, that includes the required notice and which will be sent out as follow-up to all verbal communications.

21. In six instances, the Company failed to begin investigation of the claim within 15 calendar days. 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 acknowledges these findings. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to begin an investigation within 15 calendar days. In order to maintain compliance, the claims staff was reminded to contact all involved parties within 24 hours or by end of next day following the claim assignment and to rule out or confirm injuries, as necessary. If contact details are not available, police reports are to be ordered immediately. The staff was informed to utilize reverse look-up and internet searches if partial contact details are known.

22. In five instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. The Department alleges these acts are in violation of CCR §2695.7(g) and are unfair practices under CIC §790.03(h)(5).

22(a). In four instances, the Company obtained three salvage bids and either deducted the average of the three bids or deducted the middle bid rather than the lowest bid from the total loss settlement.

Summary of the Company's Response to 22(a): As a result of the findings of the examination, and to correct the errors, the Company issued payments totaling

\$499.93 on the identified claims. To ensure future compliance, the Company changed its practice to ensure the lowest salvage bid obtained is utilized when calculating salvage on all owner-retained total loss settlements. As an additional remedial measure, the Company conducted training with staff on June 2, 2014.

In response to a concern the Company may have deducted an amount other than the lowest salvage bid from the settlement offer in the past, the Company conducted an internal survey for first-party and third-party owner-retained total loss claims with a date of loss of June 1, 2012 through June 1, 2014. The Company completed the survey and reported the results to the Department on March 2, 2015. The Company identified 36 claims in which the lowest salvage bid was not utilized. As a result of the survey, the Company issued payments totaling \$13,536.19 to the 36 identified vehicle owners.

22(b). In one instance, the Company utilized two valuation services to determine the ACV on the insured's vehicle and used the lower amount in resolving the total loss claim with the insured.

Summary of the Company's Response to 22(b): As a result of the findings of the examination, and to correct the error, the Company issued a payment of \$386.29 to the insured. The adjuster was with the Company for seven days at the time the claim was handled. The adjuster was unaware that one total loss valuation was attached to the wrong file and subsequently re-ran another total loss valuation which provided a different ACV figure. As such, the adjuster did not realize there were two reports at the time of settling the claim.

23. In four instances, the Company failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system (CPRS) that was in use by a child during the accident or if it sustained a covered loss while in the vehicle. Specifically, when the Company identified the presence of a CPRS with the insured/claimant, the Company failed to pay for a CPRS until it received the receipt as proof of replacement. The referenced insurance code has no such requirement that a receipt or purchase of a new seat is required prior to replacement. 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: As a result of the findings of the examination, the Company issued payments totaling \$319.37 in all four instances. The Company updated its claim procedures and will not require proof of replacement of the CPRS in order to issue reimbursement. The procedure going forward was changed to provide payment for the basic cost of a child seat when information on the exact model is not available. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014, regarding this insurance code.

In response to the concern that the Company may have overlooked the payment of the CPRS in the past, the Company conducted an internal survey of all collision,

comprehensive, uninsured motorist property damage and property damage claims with a date of loss from June 1, 2012 through August 2014. The internal survey was accomplished by reviewing all claim files in the above referenced categories to identify files where a CPRS was in the vehicle and the insured or claimant were not compensated. The Company completed the survey and reported the results to the Department on October 27, 2014. The details and results of the survey are included in summary section two above.

24. In four instances, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. In three instances, payment was issued more than 30 days after properly executed releases were received. In one instance, payment was issued more than 30 days after the Company received requested written confirmation from the insured's attorney regarding payment. The Department alleges these acts are in violation of CCR §2695.7(h) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges these findings. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

25. In three instances, the Company failed to deduct a salvage value from the settlement that was determined by the amount for which a salvage pool or a licensed salvage dealer, wholesale motor vehicle auction or dismantler will purchase the salvage. Specifically, by taking the average of all the salvage bids obtained, the amount deducted for salvage in each instance is not an amount for which an entity will purchase the salvage. 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: As a result of the findings of this examination, the Company amended its procedures such that it will secure a salvage bid from a specific vendor that is guaranteed. Additionally, the Company conducted remedial training with staff on June 2, 2014, to ensure future compliance.

26. In three instances, the Company required the use of non-original equipment manufacturer replacement crash parts and failed to disclose in writing, in any estimate prepared by or for the insurer, the fact that it warrants such parts are at least equal to the original equipment manufacturer parts in terms of kind, quality, safety, fit, and performance. These instances involve claims with a date of loss after March 30, 2013. The regulation requires the insurer's written disclosure, in any estimate prepared by or for the insurer, of the fact that it warrants that such parts are at least equal to the original equipment manufacturer parts in terms of kind, quality, safety, fit and performance. This change became effective January 30, 2013. All claims handling that takes place on or after the compliance date of March 30,

2013, must comply with this regulation. The Department alleges these acts are in violation of CCR §2695.8(g)(3) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. Given that the Company utilizes multiple vendors, the adjusters are responsible to review the appraisals for the correct language. To ensure future compliance in the event such language is incorrect or missing, the adjuster will advise the vendor to amend or furnish the appraisal language on the estimate and will also add the language to the correspondence that accompanies the estimate sent to the insured/claimant. Additionally, the Company conducted remedial training on this issue with staff on June 2, 2014.

27. In two instances, the Company failed to secure a theft affidavit from the insured prior to the settlement of the claim. The Department alleges these acts are in violation of CIC §1871.3(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges that, while its practice is to send and secure a theft affidavit on all theft claims, including recovered thefts, this was not done in these instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014, reiterating the requirement that a properly executed theft affidavit form must be obtained from the insured prior to settling the claim.

28. In two instances, the Company failed to deny, dispute or reject a third party claim, in whole or in part, in writing. The Department alleges these acts are in violation of CCR §2695.7(b)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. To ensure future compliance, the Company individually counseled the adjusters involved.

29. In two instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. In the first instance, upon receipt of proof the at-fault party had no insurance, the Company failed to issue payment of the insured's \$1,000.00 collision deductible pursuant to the collision damage waiver coverage on the policy. In a similar instance, the Company failed to issue payment of the insured's \$500 deductible prior to sending the claim to the subrogation recovery unit. The Department alleges these acts are in violation of CIC §790.03(h)(5).

Summary of the Company's Response: As a result of the findings of the examination, the Company issued payments totaling \$1,500.00 to the two identified insureds. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014.

30. In two instances, the Company failed to pay the reasonable towing and storage charges incurred by the claimant. The Department alleges these acts are in violation of CCR §2695.8(k) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: These were isolated errors that occurred in the same claim. To correct the errors, the Company issued \$340.00 to the identified claimant.

31. In one instance, the Company failed to honor the methodology used in determining paint and material charges by offering or paying an amount unrelated to the particular methodology. Specifically, the Company imposed a limit of \$400.00 for the cost of paint and material used in the repair of the vehicle. The Department alleges this act is in violation of CIC §758.6 and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: As a result of the findings of this examination, and to correct the error, the Company issued a payment of \$313.77. The Company notified the appraisal vendor used in this claim that paint and material capping is not allowed. Additionally, the Company conducted remedial training with staff on June 2, 2014, to ensure future compliance.

32. In one instance, the Company failed to include a warning on its theft affidavit that false representations subject the insured to a penalty of perjury. The Department alleges this act is in violation of CIC §1871.3(a)(1) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. Effective July 18, 2014, the Company amended the theft affidavit to include the required language to ensure future compliance.

33. In one instance, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges this act is in violation of CCR §2695.7(b)(3) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. Prior to the examination, the referenced language was manually added to a denial letter. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, which includes the required language.

34. In one instance, the Company failed to share subrogation recoveries on a proportionate basis with the first party claimant. Specifically, the Company failed to reimburse the insured's \$500.00 deductible after receiving a subrogation recovery from

the adverse carrier. The Department alleges this act is in violation of CCR §2695.7(q) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: This is an isolated finding. To correct the error, the Company issued payment of \$500.00 to the insured.

35. In one instance, the Company failed to include, in the settlement, all applicable taxes. In this instance, the Company calculated the sales tax at a lower percentage rate than the rate owed based on the county location of the vehicle. Specifically, the total loss settlement included sales tax at a rate of 8.25% instead of 8.5%. The Department alleges this act is in violation of CCR §2695.8(b)(1) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: This is an isolated finding. To correct the error, the Company issued a payment of \$31.82 to the vehicle owner.

36. In one instance, the Company failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status. In this instance, the Company failed to pay the full amount of the salvage certificate fee. Specifically, the fee of \$18.00 was increased to \$19.00 effective January 1, 2013. The Department alleges this act is in violation of CCR §2695.8(b)(1)(A) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: This is an isolated finding. To correct the error, the Company issued payment of \$1.00 to the vehicle owner. In addition, the Company provided training as to the proper fee schedule.

COMMERCIAL AUTOMOBILE

37. In 24 instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days. 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 acknowledges that additional time letters were not sent in all identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to send additional time letters. In order to maintain compliance, staff will set a reminder for the 35th day from the date the claim is received and will set additional reminders every 25th day thereafter as long as the file remains open. The additional time letters will specify any additional information needed to determine liability.

38. In 20 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, while its practice is to supply the claimant with a copy of the original estimate and any supplemental estimates, the file does not provide evidence this was done in all identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to provide a copy of all estimates to vehicle owners. In order to maintain compliance and to ensure proper file documentation, the Company requires that each file include written documentation that supports the Company provided the claimant with the estimate and any supplemental estimate.

39. In 16 instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In all identified instances, the Company's claims handling resulted in delays. The lack of a diligent investigation resulted in gaps in activity, delayed vehicle inspections or re-inspections, delayed requests for vehicle valuation reports for total losses, delayed payments, delayed requests for a salvage bid, delayed completion of coverage investigations, delayed requests for settlement authority and/or the granting of settlement authority. With regard to a liability investigation, the file was either void of any documented investigative activity pertaining to liability or it demonstrated little to no activity. In some instances, the Company knew the identity of a party involved in the accident and made no attempt at contact, or, when an attempt was made, it was not made within a reasonable period of time. 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: While it is the Company's best practice to conduct and diligently pursue a thorough, fair and objective investigation, including contact with all involved parties within 24 hours of assignment and proactively seeking contact information through various sources such as police reports, an internet search, etc., the Company acknowledges the follow up and investigation were not completed timely and do not fall within the Company's best practices. To ensure future compliance regarding this regulatory requirement, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

40. In 15 instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. Ten of these instances pertain to a first-party claim and five of these instances pertain to a third-party claim. The Department alleges these acts are in violation of CCR §2695.7(b) and are unfair practices under CIC §790.03(h)(3) or CIC §790.03(h)(4).

Summary of the Company's Response: In all identified instances, the Company acknowledges it failed to accept or deny the claim within the regulatory

timeframe. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

41. In 15 instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. The Department alleges these acts are in violation of CCR §2695.7(g) and are unfair practices under CIC §790.03(h)(5).

41(a). In six instances, the Company either failed to pay all reasonable towing and storage charges incurred by the insured as a result of the loss or the Company deducted towing and storage charges from the Stated Amount, also known as the stated limit, resulting in a low settlement.

Summary of the Company's Response to 41(a): The Company responded as follows:

The Company's practice, consistent with policy language, is to reimburse the insured for towing and storage charges within the limits of the stated amount determined by the insured and set forth in the policy.

The Department asserts that Dongbu has attempted to settle claims for an amount that is unreasonably low because Dongbu declined to pay towing and storage fees in excess of the Stated Amount set forth in the policy. The Department cites the policy provision requiring the insured to take reasonable steps to protect the vehicle from further damage, suggesting that because the insured is required to take such steps, the insured should be reimbursed for the cost of doing so. The Department also asserts that the description on the declarations page of the policy suggests that the stated amount is a substitute for the actual cost of the vehicle, the actual cost including towing and storage fees, and the insured is not informed by the broker at the time of purchase that the stated amount includes towing and storage fees. The law, however, does not impose an obligation to pay towing and storage charges except as set forth in the policy.

...

Under applicable law, the Company is not required to cover towing and storage fees beyond the stated amount in the case of commercial coverage, whether necessary to protect from further harm or not, except as stated in the policy. While policy provisions in conflict with the Fair Claims Settlement Practices Regulations are not enforceable, as the Department has pointed out, the Company's policy provisions do not conflict with any of the Fair Claims Settlement Practices Regulations because no regulation requires payment of towing and storage fees for

commercial vehicles, much less payment of such fees over and above the limit of liability set forth in the policy.

Nonetheless, while the Company continues to believe its handling of towing and storage fees is consistent with its policy language and applicable law, in light of the Department's assertion that policy language requires the insured to protect the insured vehicle, the Company is revising the policy and endorsement language such that coverage for towing and storage expenses is provided in addition to the Stated Amount. The proposed Physical Damage and Trailer Interchange Coverage Changes endorsement provides payment of reasonable towing and storage costs incurred to recover and tow the vehicle to the nearest facility capable of making necessary repairs. As a result of findings of this examination, the Company reevaluated the six identified claims and issued payments totaling \$30,360.36.

41(b). In three instances, the Company failed to settle the claim in accordance with the provision under the Stated Amount Insurance Endorsement, which states the Company's obligation is to pay the actual cash value of the damaged property reduced by the applicable deductible prior to the application of the limit of insurance shown in the Schedule. The Company applied the deductible to the Stated Amount rather than to the amount of the insured's total loss which exceeded the Stated Amount by at least the amount of the deductible. This practice effectively reduced the settlement by the amount of all or part of the deductible.

Summary of the Company's Response to 41(b): The Company agrees the deductible should be applied to the amount of the insured's loss and not to the Stated Amount limit. As a result of the findings of the examination, the Company issued payments totaling \$4,000.00 to vehicle owners. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014.

In response to the concern that the Company may have applied the deductible to the Stated Amount rather than to the amount of the insured's total loss in the past, the Company conducted an internal survey of California collision and comprehensive claims with a date of loss of February 2012, through the survey completion date. The date represents the inception of the Commercial Automobile program. The Company completed the survey and reported the results to the Department on March 2, 2015. For those claims where a deductible was applied to the Stated Amount limit instead of the loss, the Company re-evaluated the claims and identified 11 claims in which additional sums were due. As a result of the survey, the Company issued payments totaling \$11,205.62 to vehicle owners.

41(c). In three instances, the Company failed to reimburse the insured the amount of the salvage proceeds not to exceed the ACV amount, whichever is less, when the ACV was equal to or greater than the Stated Amount. The Company paid the Stated Amount and subsequently received proceeds from its sale of salvage. The

failure to refund the difference between the Stated Amount and the ACV, whichever amount is less, resulted in a low settlement for each identified insured.

Summary of the Company's Response to 41(c): The Company initially agreed with the Department's allegation and issued payments totaling \$4,975.88 to the identified vehicle owners to correct the errors. The Company subsequently re-evaluated the effects the Stated Amount endorsement has on claim payments and amended its initial response to this issue. The Company determined that such procedure would abrogate the intent of the stated limit policy, which is to limit indemnification to the stated limit selected by the insured. The purpose of stated limit insurance is to limit the insurer's liability to the Stated Amount in return for a calculation of the premium based on that amount. To the extent the insured receives an amount over and above the Stated Amount by paying the proceeds of the salvage; the insured is receiving a greater benefit than provided for in the policy especially where the insured chooses a lower stated limit for the purpose of paying a lower premium. Once the Company has paid the full Stated Amount, if the insured chooses not to retain the salvage, the insured then transfers ownership of the salvage to the Company. Therefore, the Company states the practice of retaining salvage proceeds where the insured has elected to relinquish the salvage is consistent with the terms of the insurance contract.

Nonetheless, while the Company continues to believe its handling of salvage is consistent with its policy language and applicable law, on a prospective basis, for total loss claims where the insured's loss is greater than the stated limit and the salvage is sold, the Company will reimburse the insured the amount of the salvage proceeds not to exceed the ACV amount, whichever is less.

In response to the concern that the Company may have overlooked the refund of money owed back to insured vehicle owners, the Company conducted an internal survey of first-party total loss claims with a date of loss of February 2012, through the survey completion date. The date represents the inception of the Commercial Automobile program. The Company completed the survey and reported the results to the Department on June 30, 2015. The Company re-evaluated the claims and identified 13 claims in which additional sums were due. As a result of the survey, the Company issued payments totaling \$69,841.63 to vehicle owners. In the other total loss claims where the Company retained the salvage, either the salvage was sold with no additional amount due the insured or, the salvage has not yet sold and those claims will be monitored for further review following the sale of salvage.

41(d). In one instance involving an owner-retained total loss, the Company failed to pay the Stated Amount when the total exposure exceeded that amount. Specifically, the total exposure was \$17,554.19 (composed of the ACV, taxes, fees, towing and storage charges less any salvage and/or deductible); however, the Company paid \$11,694.75, which is less than the Stated Amount of \$12,000.00. Therefore, the Company owed, at a minimum, the Stated Amount in this instance.

Summary of the Company's Response to 41(d): This is an isolated finding. To correct the error, the Company issued a payment of \$305.25 to the vehicle owner.

41(e). In one instance, the total loss exposure exceeded the Stated Amount of \$17,000.00 after subtracting the salvage value of \$1,716.08 and the deductible. However, the Company deducted the salvage value of \$1,716.08 from the Stated Amount of \$17,000.00 resulting in a net payment of \$15,283.92. Therefore, the Company owed, at a minimum, the Stated Amount in this instance since the total loss exceeded the Stated Amount after all deductions had been applied.

Summary of the Company's Response to 41(e): This is an isolated finding. To correct the error, the Company issued a payment of \$1,716.08 to the vehicle owner.

41(f). In one instance, the Company obtained three salvage bids and deducted the average of the three bids rather than the lowest of the three bids from the total loss settlement.

Summary of the Company's Response to 41(f): The Company acknowledges this finding. This did not result in an additional payment since the entire salvage value was deducted from the Stated Amount and payment was issued back to the insured under section 41(e) above. To ensure future compliance, the Company changed its practice to ensure the lowest salvage bid obtained is utilized when calculating salvage on all owner-retained total loss settlements. As an additional remedial measure, the Company conducted training with staff on June 2, 2014.

42. In 13 instances, the Company failed to comply with the requirements of CCR §2695.7(p):

42(a). In eight 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).

42(b). In five 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 to 42(a) and 42(b): The Company acknowledges that the files do not include written notification to the insured as it relates to subrogation. To ensure future compliance, the Company conducted training with staff on June 2, 2014. The subrogation protocols were reiterated including the need for appropriate letters and completion of system indicators. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, which notifies the insured of either the intent to pursue subrogation or the decision to discontinue subrogation.

43. In 10 instances, the Company failed to comply with the in writing requirements of CCR §2695.8(b)(4) on total loss settlements.

43(a). In nine 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. Specifically, the Company failed to provide the insured either with a copy of the computerized automobile valuation or with another written explanation of how the ACV was determined. The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

43(b). In one instance, 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. Specifically, the Company failed to provide a full disclosure in writing and failed to itemize how the total loss settlement amount was calculated. The Department alleges this act is in violation of CCR §2695.8(b)(4) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response to 43(a) and 43(b): The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow-up to all verbal communications and includes a copy of the total loss evaluation.

44. In nine instances, the Company failed to comply with the disclosure requirements of CCR §2695.8(b)(1)(A):

44(a). In five 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).

44(b). In four 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 to 44(a) and 44(b): The Company acknowledges these findings in all identified instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template total loss letter to be utilized by staff which includes the referenced disclosures effective November 15, 2014.

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

45(a). In five instances, the Company failed to pay the one-time fees on Company-retained total loss settlements in which the Stated Amount was determined to be payable. Specifically, the Company did not pay the one-time fees in addition to the Stated Amount on the basis the Stated Amount is the limit of liability.

Summary of the Company's Response to 45(a): The Company disagrees that its practice to pay taxes and fees only up to the Stated Amount is inconsistent with the referenced regulation. The Company asserts that the Stated Amount functions not as a method of determining the cost of a comparable vehicle, rather as a limit of liability, and this approach does not conflict with the Fair Claims Settlement Regulations. In evaluating a total loss claim, the Company determines the actual cost of the comparable vehicle, which will include the applicable taxes and fees. This actual cost calculation does not, however, abrogate policy terms relating to limits of liability. In accordance with the policy terms, once the cost of a comparable vehicle is determined, the deductible and policy limit (in the form of the Stated Amount) are applied. This approach provides the insured with the benefits the insured has purchased. The insured chooses the stated limit, and has the option to purchase a lower limit for a lower premium, or to insure the vehicle for a higher amount for a higher premium.

Nonetheless, as a result of this examination and to ensure future compliance, the Company will include fees related to transfer of ownership, license fees, sales tax, and other taxes as part of a covered loss in addition to the Stated Amount. The Company re-evaluated the instances subject to this allegation. As a result of this re-evaluation, the Company issued payments totaling \$4,922.80 to the vehicle owners in these identified claims. This amount also includes payments related to section numbers 52, 53 and 54 below.

45(b). In three instances, the Company failed to pay one-time fees on Company-retained total loss settlements involving a policy in which the ACV was below the Stated Amount.

Summary of the Company's Response to 45(b): As a result of the findings of the examination, and to correct the errors, the Company issued payments totaling \$45.00. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow up to all verbal communications and includes a copy of the total loss evaluation.

In response to a concern the Company may have overlooked the payment of one-time fees incident to transfer on Company-retained total losses in the past, the Company conducted an internal survey for first-party and third-party claims with a date of loss beginning February 2012, through the survey completion date. The date represents the inception of the Commercial Automobile program. The Company completed the survey and reported the results to the Department on March 2, 2015. The Company identified 58 claims in which the one-time transfer fee was either not paid or the amount paid was incorrect. In other instances, when the total loss was recalculated, the amount of additional fees owed was a partial amount due to the overall evaluation. As a result of the survey, the Company issued payments totaling \$957.50 to vehicle owners.

46. In seven instances, the Company failed to ask if a child passenger restraint system (CPRS) 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. Specifically, the Company failed, in all identified instances, to ask whether a child passenger restraint system (CPRS) was in use by a child during the accident or was unoccupied and damaged at the time of the loss. 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, while its practice is to ask if a child passenger restraint system was in the vehicle at the time of the accident, the files do not provide evidence this was done in all identified instances. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014, regarding this insurance code. In order to maintain compliance, the claim files must reflect any discussion as well as the result. If the adjuster is unable to speak with the insured or claimant, correspondence will be sent inquiring about a CPRS. Proof of replacement is not necessary; the adjuster will determine the cost of a comparable unit for payment. The Company addressed the seven identified claims in the internal survey described immediately below.

In response to a concern the Company may have overlooked the payment of the CPRS in third-party property damage claims in the past, the Company conducted an internal survey of such claims with a date of loss beginning February 2012 through August 2014. February 2012 represents the inception date of the Commercial Automobile program. Due to the nature of the commercial vehicles involved, first-party claims were not included. The internal survey was accomplished by reviewing all third-party property damage claims to identify files in which it is unclear if a CPRS was in the vehicle. A letter was sent on these claims advising the claimant to notify the Company if a CPRS was in the vehicle and to respond within 30 days. Each response was reviewed to determine if additional sums were owed. If a limit had been reached or a release had been secured, no additional payment was made. The Company completed the survey and reported the results to the Department on October 27, 2014. The Company reviewed 731 third-party claims and identified five claims in which the CPRS was owed and not paid during the survey period. As a result of the survey, the Company issued payments totaling \$475.00.

47. In six instances, the Company failed to amend the premium charged to the insured to reflect the current exposure following the total loss of the vehicle that previously served as the exposure basis for rating purposes. No rate shall remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of Chapter 9, Article 10 of the California Insurance Code. The Department alleges these acts are in violation of CIC §1861.05(a) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges these findings in all identified instances. The Company's standard practice is to amend the premium charged to the insured following the total loss of the insured's vehicle. Although the Company's guidelines require the TPA to notify the general agent in the event of a total loss, this notification was not provided in all cases. As a consequence, in some cases the general agent was not informed of the total loss and, thus, was not aware of the need to amend the premium. The TPA modified its reporting to the Company to include notice of all insured total losses so the appropriate premium amendments are initiated. Until further system programming can be completed, the adjusters will provide an underwriting alert to the Company via an e-mail. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As a result of the findings of the examination, a total of \$1,989.00 in unearned premium was returned to these policyholders in the identified claims.

In response to a concern the Company may not have amended the premium charged to an insured following a total loss in the past, the Company conducted an internal survey of total loss claims with a date of loss of February 2012 through June 2014. The date range of the internal survey represents the date the Company began selling Commercial Automobile policies in California. The internal survey was accomplished by identifying all of the total losses and then determining which of these did not result in the premium being amended. The Company completed the survey and reported the results to the Department on October 27, 2014. The Company reviewed 147 total loss claims and identified 46 claims in which the premium was not amended. As a result of the survey, the Company issued payments totaling \$18,595.51.

48. In six instances, the 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).

48(a). In five instances, the Company failed to pay the license fee and other annual fees computed based upon the remaining term of the registration on Company-retained total loss settlements in which the Stated Amount was determined to be payable. Specifically, the Company did not pay the remaining term of the registration on the Stated Amount on the basis the Stated Amount is the limit of liability.

Summary of the Company's Response to 48(a): The Company disagrees that its practice to pay taxes and fees only up to the Stated Amount is inconsistent with the referenced regulation. The Company asserts that the Stated Amount functions not as a method of determining the cost of a comparable vehicle, but instead as a limit of liability and this approach does not conflict with the Fair Claims Settlement Regulations. In evaluating a total loss claim, the Company determines the actual cost of the comparable vehicle, which will include the applicable taxes and fees. This actual cost calculation does not, however, abrogate policy terms relating to limits of liability. In accordance with the policy terms, once the cost of a comparable vehicle is determined, the deductible and policy limit (in the form of the Stated Amount) are applied. This approach provides the insured with the benefits the insured has purchased. The insured chooses the stated limit, and has the option to purchase a lower limit for a lower premium, or to insure the vehicle for a higher amount for a higher premium.

Nonetheless, as a result of this examination and to ensure future compliance, the Company will include fees related to transfer of ownership, license fees, sales tax, and other taxes as part of a covered loss in addition to the Stated Amount. The Company re-evaluated the instances noted to consider the unused registration. Additionally, the Company voluntarily conducted an internal survey of Company-retained total loss claims with a date of loss of June 1, 2012 through June 1, 2014. The voluntary survey included Stated Amount policies, total losses that did not reach the Stated Amount for first-party claims, and third-party total loss claims. The Company completed the survey and reported the results to the Department on April 1, 2015. The Company identified 40 claims including the five instances noted above and the single instance noted below in section 48(b) for which a review of the unused registration took place. As a result of this survey, the Company issued payments totaling \$15,157.67 to vehicle owners.

48(b). In one instance, the Company did not include any consideration for the remaining term of the registration in the Company-retained total loss settlement.

Summary of the Company's Response to 48(b): The Company acknowledges this finding. To ensure future compliance, the Company retained a new salvage vendor to provide a correct breakdown of fees and the remaining term of the loss vehicle's current registration. The Company also conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed an internal total loss checklist and an itemized total loss letter effective November 15, 2014. The letter is sent out as follow-up to all verbal communications and includes a copy of the total loss evaluation. An additional payment to correct the error in this instance was included in section 48(a) above.

49. In six instances, the Company failed to comply with the requirements of CCR §2695.8(g)(3):

49(a). In four instances, the Company required the use of non-original equipment manufacturer replacement crash parts and failed to disclose in writing, in any estimate prepared by or for the insurer, the fact that it warrants

such parts are at least equal to the original equipment manufacturer parts in terms of kind, quality, safety, fit, and performance. These instances involve claims with a date of loss after March 30, 2013. The Department alleges these acts are in violation of CCR §2695.8(g)(3) and are unfair practices under CIC §790.03(h)(3).

49(b). In two instances, the Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts. These instances involve claims with a date of loss prior to March 30, 2013. The Department alleges these acts are in violation of CCR §2695.8(g)(3) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response to 49(a) and 49(b): The Company acknowledges these findings. The estimates were prepared by appraisal vendors who either omitted the required language or included the language prior to the effective date of the regulation change. Given that the Company utilizes multiple vendors, the adjusters are responsible for reviewing the appraisals for the correct language. If the language is missing or incorrect, the adjuster will notify the vendor to amend the appraisal language and the adjuster will add the language to the correspondence they utilize when sending the estimate copy to the insured or claimant. Additionally, the Company conducted remedial training with staff on June 2, 2014, to ensure future compliance.

50. In six instances, the Company required the use of non-original equipment manufacturer replacement crash parts without the use of such parts disclosed in accordance with §9875.1 of the California Business and Professions Code. The Department alleges these acts are in violation of CCR §2695.8(g)(5) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. Given that the Company utilizes multiple vendors, the adjusters are responsible for reviewing the appraisals for the required disclosure. If the disclosure is missing, the adjuster will notify the vendor to amend the appraisal language and the adjuster will add the language to the correspondence utilized when sending the estimate copy to the insured or claimant. Additionally, and to ensure future compliance, the Company conducted remedial training with staff on June 2, 2014.

51. In five instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. In three instances, settlement authority was not promptly requested or authorized. In the fourth instance, payment was not promptly made when all information necessary to finalize the claim was received. In the fifth instance, the Company received a supplement and failed to issue payment for the supplement.

Summary of the Company's Response: As a result of the findings of the examination, the Company issued a payment in the amount of \$405.63 to correct the

unpaid supplement. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. The adjusters were advised to follow up for payment approval when a response is not timely received, submit request for authority within a few days of receiving all necessary information, and review mail within five days in accordance with Company procedure. Additionally, compliance will be reviewed at the time of supervisory reviews.

52. In five instances, the Company failed to include, in the settlement, all applicable taxes. In each identified instance, the Company failed to pay applicable taxes on a Company-retained total loss settlement in which the Stated Amount was determined to be payable. Specifically, the Company did not pay applicable taxes on the Stated Amount on the basis the Stated Amount is the limit of liability. 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 disagrees that its practice to pay taxes and fees only up to the Stated Amount is inconsistent with the referenced regulation. The Company asserts that the Stated Amount functions not as a method of determining the cost of a comparable vehicle; rather, it functions as a limit of liability and this approach does not conflict with the Fair Claims Settlement Regulations. In evaluating a total loss claim, the Company determines the actual cost of the comparable vehicle, which will include the applicable taxes and fees. This actual cost calculation does not, however, abrogate policy terms relating to limits of liability. In accordance with the policy terms, once the cost of a comparable vehicle is determined, the deductible and policy limit (in the form of the Stated Amount) are applied. This approach provides the insured with the benefits the insured has purchased. The insured chooses the stated limit, and has the option to purchase a lower limit for a lower premium, or to insure the vehicle for a higher amount for a higher premium.

Nonetheless, as a result of this examination and to ensure future compliance, the Company will include fees related to transfer of ownership, license fees, sales tax, and other taxes as part of a covered loss in addition to the limit of insurance, also known as the Stated Amount. The Company re-evaluated the instances subject to this allegation. As a result of this re-evaluation, the Company issued additional payments identified in section 45(a) above.

53. In five 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. In each identified instance, the Company failed to pay sales tax on owner-retained total loss settlements in which the Stated Amount was determined to be payable. Specifically, the Company did not pay sales tax on the Stated Amount on the basis the Stated Amount is the limit of liability. 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 disagrees that its practice to pay taxes and fees only up to the Stated Amount is inconsistent with the referenced regulation. The Company asserts that the Stated Amount functions not as a method of determining the cost of a comparable vehicle; rather, it functions as a limit of liability and this approach does not conflict with the Fair Claims Settlement Regulations. In evaluating a total loss claim, the Company determines the actual cost of the comparable vehicle, which will include the applicable taxes and fees. This actual cost calculation does not, however, abrogate policy terms relating to limits of liability. In accordance with the policy terms, once the cost of a comparable vehicle is determined, the deductible and policy limit (in the form of the Stated Amount) are applied. This approach provides the insured with the benefits the insured has purchased. The insured chooses the stated limit, and has the option to purchase a lower limit for a lower premium, or to insure the vehicle for a higher amount for a higher premium.

Nonetheless, as a result of this examination and to ensure future compliance, the Company will include fees related to transfer of ownership, license fees, sales tax, and other taxes as part of a covered loss in addition to the Stated Amount. The Company re-evaluated the instances subject to this allegation. As a result of this re-evaluation in claims handling, the Company issued payments identified in section 45(a) above.

54. In five instances, the Company failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status. In each identified instance, the Company failed to pay the fee incident to the transfer of the vehicle to salvage status on an owner-retained total loss settlement in which the Stated Amount was determined to be payable. Specifically, the Company did not pay the transfer fee on the Stated Amount on the basis the Stated Amount is the limit of liability. 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 disagrees that its practice to pay taxes and fees only up to the Stated Amount is inconsistent with the referenced regulation. The Company asserts that the Stated Amount functions not as a method of determining the cost of a comparable vehicle; rather, it functions as a limit of liability and this approach does not conflict with the Fair Claims Settlement Regulations. In evaluating a total loss claim, the Company determines the actual cost of the comparable vehicle, which will include the applicable taxes and fees. This actual cost calculation does not, however, abrogate policy terms relating to limits of liability. In accordance with the policy terms, once the cost of a comparable vehicle is determined, the deductible and policy limit (in the form of the Stated Amount) are applied. This approach provides the insured with the benefits the insured has purchased. The insured chooses the stated limit, and has the option to purchase a lower limit for a lower premium, or to insure the vehicle for a higher amount for a higher premium.

Nonetheless, as a result of this examination and to ensure future compliance, the Company will include fees related to transfer of ownership, license fees, sales tax, and other taxes as part of a covered loss in addition to the Stated Amount. The Company

re-evaluated the instances subject to this allegation. As a result of this re-evaluation in claims handling, the Company issued payments identified in section 45(a) above.

55. 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 acknowledges that, while its practice is to explain and disclose to the insured all benefits, coverages, limits, deductibles and time limits applicable to the claim, the file does not provide evidence this was done in all identified instances. To ensure future compliance, the Company counseled the adjusters involved and conducted training with staff on June 2, 2014. Staff was informed that the file must reflect that the coverages were discussed. If the adjuster is unable to discuss the coverage with the insured, the coverages must be provided to the insured in writing. As an additional remedial measure, the Company developed a template acknowledgement letter to be utilized by staff, which provides the policy's coverages effective November 15, 2014.

56. In three instances, the Company failed to secure a theft affidavit from the insured prior to the settlement of the claim. The Department alleges these acts are in violation of CIC §1871.3(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges that, while its practice is to send and secure a theft affidavit on all theft claims, including recovered thefts, this was not done in these instances. To ensure future compliance, the Company conducted training with staff on June 2, 2014, reiterating the requirements that a properly executed theft affidavit form must be obtained from the insured prior to settling the claim.

57. In three instances, the Company failed to notify the insured that the file will be reopened if a comparable automobile cannot be purchased for the amount offered or paid. The Department alleges these acts are in violation of CCR §2695.8(c) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template total loss letter effective November 15, 2014, to include this notice requirement and to be sent out as follow-up to all verbal communications.

58. In two instances, the Company failed, in its response, to furnish the claimant with a complete response. 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 acknowledges these findings. To ensure future compliance, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Not only must the response be documented in the claims file, it must also address all questions and requests. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

59. In two instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. 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 acknowledges these findings. To ensure future compliance regarding this regulatory requirement, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014.

60. In two instances, the Company failed to deduct a salvage value from the settlement that was determined by the amount for which a salvage pool or a licensed salvage dealer, wholesale motor vehicle auction or dismantler will purchase the salvage. In one instance, the Company did not document how it arrived at a specific salvage value. In the second instance, the Company did not document whether or not the amount deducted was an amount for which a salvage company will purchase the salvage. 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: As a result of the findings of this examination, the Company amended its procedures such that it will secure a salvage bid from a specific vendor which that vendor guarantees. Additionally, the Company conducted remedial training with staff on June 2, 2014, to ensure future compliance.

61. In two instances, the Company failed to comply with the requirements of California Vehicle Code (CVC) section 11515(b) on owner-retained total loss settlements.

61(a). In one instance, the Company failed to notify the Department of Motor Vehicles (DMV) that the owner of a total loss salvage vehicle retained possession of the vehicle. The Department alleges this act is in violation of CVC §11515(b) and is an unfair practice under CIC §790.03(h)(3).

61(b). In one instance, the Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b). The Department alleges this act is in violation of CVC §11515(b) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response to 61(a) and 61(b): The Company acknowledges that, while its practice is to notify the DMV of the salvage retention and to provide the disclosure to the vehicle owner, this was not done in these instances. As a result of this finding, the Company implemented a new procedure for placing a copy of the DMV notice in the file prior to sending the notification to DMV. As an additional remedial measure, the Company developed a template total loss letter that includes the required notices. The letter is effective November 15, 2014, and is to be sent as a follow-up to all verbal communications.

62. 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 acknowledges this finding. To ensure future compliance regarding this regulatory requirement, the Company counseled the handling adjuster and conducted remedial training with staff on June 2, 2014.

63. In one instance, the Company failed to begin investigation of the claim within 15 calendar days. The Department alleges this act is in violation of CCR §2695.5(e)(3) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. To ensure future compliance regarding this regulatory requirement, the Company counseled the handling adjuster and conducted remedial training with staff on June 2, 2014. In order to maintain compliance, claims staff was reminded to contact all involved parties within 24 hours, or by end of next day following the claim assignment to include passengers and to rule out or confirm injuries, as necessary. If contact details are not available, police reports are to be ordered immediately and staff was informed to utilize reverse look-up and internet searches if partial contact details are known.

64. In one instance, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges this act is in violation of CCR §2695.7(b)(3) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, which includes the required language.

65. In one instance, 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 Department alleges this act is in violation of CCR §2695.7(f) and is

an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, which includes the statute of limitations applicable to the claim.

COMMERCIAL MULTIPLE PERIL

66. In 31 instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days. 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 acknowledges that additional time letters were not sent in all identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to send additional time letters. In order to maintain compliance, staff will set a reminder for the 35th day from the date the claim is received and will set additional reminders every 25th day thereafter as long as the file remains open. The additional time letters will specify any additional information needed to determine liability.

67. In 12 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. 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 these findings. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, which includes the required language.

68. In 12 instances, the Company failed to comply with the requirements of CCR §2695.7(d).

68(a). In 11 instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In all identified instances, the Company's claims handling resulted in delays. The lack of investigation caused gaps between activity, late denial or acceptance of claims, late inspection of premises, and/or delayed request for medical records upon receipt of a medical authorization. In some instances, the Company knew the identity of a party involved in the accident and made

no attempt to contact that party within a reasonable amount of time. The file was either void of any documented investigative activity pertaining to liability or it demonstrated little to no activity regarding the investigation. Additionally, some claims included file notes with instruction from the supervisor; however, no action was taken by the adjuster. In two instances on the same claim, the Company delayed the retention of an expert by over four months to determine the cause of loss. When the retained expert report was received, the adjuster failed to review the report for over a month. In one instance, the Company was provided with the claimant's mailing address, but failed to send written correspondence pursuant to the Company's best practice to do so. In another instance, the claim handling delay was due, in part, to a reassigned claim file.

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 to 68(a): While it is the Company's best practice to conduct and diligently pursue a thorough, fair and objective investigation, the Company acknowledges the follow-up and investigation were not completed timely and do not fall within the Company's best practices in these instances. To ensure future compliance regarding this regulatory requirement, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. The Company reiterated that all reassigned files must be reviewed and acted upon timely. Additionally, the practice to send correspondence when a party cannot be reached by telephone was reiterated. For disputed liability accidents, staff was reminded to complete the liability investigation as quickly as possible so a determination can be made within the first 30 days in most instances. As an additional remedial measure, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

68(b). In one instance, the Company persisted in seeking information not reasonably required for or material to the resolution of a claims dispute. Specifically, while medical records were requested and the claimant was informed that medical records were needed to resolve the claim, a claim decision was made prior to receipt of the medical records. Therefore, the medical records were not material to the claim resolution. The Department alleges this act is in violation of CCR §2695.7(d) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response to 68(b): The Company states that while the medical bills and records may not have been needed to resolve the liability dispute, the records were needed for the medical payment claims. Nonetheless, the Company counseled the adjuster on clear communication and appropriate file documentation.

69. In nine instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. Six of these instances pertain to first-party claims and three of these instances pertain to third-party claims. The

Department alleges these acts are in violation of CCR §2695.7(b) and are unfair practices under CIC §790.03(h)(3) or CIC §790.03(h)(4).

Summary of the Company's Response: In all identified instances, the Company acknowledges it failed to accept or deny the claim within regulatory requirements in the identified instances. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

70. In four instances, the Company failed to acknowledge notice of claim within 15 calendar days. 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 acknowledges these findings. To ensure future compliance regarding this regulatory requirement, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014.

71. In four instances, the Company failed to comply with the requirements of CCR §2695.9(f).

71(a). In two instances, the Company failed to document in the claim file all justification for the adjustment of the amount claimed because of betterment, depreciation, or salvage. Any adjustment for betterment or depreciation shall reflect a measurable difference in market value attributable to the condition and age of the property. In these instances, the basis of depreciation was not explained in the file notes or in the estimate. The estimate identified by line item the material subject to depreciation and the amount of depreciation; however, the bases for depreciation, such as age, condition and useful life, were not documented. The Department alleges these acts are in violation of CCR §2695.9(f) and are unfair practices under CIC §790.03(h)(3).

71(b). In two instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing. Although a copy of the estimate was provided to the insured in these instances, the estimate did not explain the bases for any adjustment or depreciation such as age, condition and useful life. The Department alleges these acts are in violation of CCR §2695.9(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response to 71(a) and 71(b): The Company acknowledges these findings. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014. The training reinforced the need to detail and document, both in the claim file and to the claimant in writing, the basis of the depreciation based on age, condition and useful service life of the property.

72. In three instances, the Company failed to comply with the requirements of CCR §2695.5(b):

72(a). In two instances, 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).

72(b). In one instance, the Company failed, in its response, to furnish the claimant with a complete response. The Department alleges this act is in violation of CCR §2695.5(b) and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response to 72(a) and 72(b): The Company acknowledges these findings. In one instance, the Company does not agree a response was owed. Nonetheless, and to ensure future compliance, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014. Not only must the response be documented in the claims file, it must also address all questions and requests. Additionally, compliance will be reviewed at the time of internal audits and at the time of supervisory reviews.

73. In three instances, the Company failed to begin investigation of the claim within 15 calendar days. 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 acknowledges these findings. To ensure future compliance, the Company individually counseled the adjusters involved and conducted remedial training with staff on June 2, 2014, regarding the regulatory requirement to begin investigation within 15 calendar days. In order to maintain compliance, claims staff was reminded to contact all involved parties within 24 hours, or by end of next day, following the claim assignment to include passengers and to rule out or confirm injuries, as necessary. If contact details are not available, police reports are to be ordered immediately. The staff was informed to utilize reverse look-up and internet searches if partial contact details are known.

74. In two instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. 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 acknowledges these findings. To ensure future compliance regarding this regulatory requirement, the Company counseled the adjusters involved and conducted remedial training with staff on June 2, 2014.

75. 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 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 acknowledges these findings. To ensure future compliance, the Company conducted training with staff on June 2, 2014. As an additional remedial measure, the Company developed a template letter to be utilized by staff effective November 15, 2014, that includes the statute of limitations applicable to the claim.

76. In one instance, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. Specifically, the Company did not have a procedure in place that would reimburse a claimant for notary fees incurred when the Company requires notarized forms. The Department alleges this act is in violation of CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. In practice, if the insured incurs a cost in the process of executing the proof of loss forms, the insured may present that cost as part of the claim for reimbursement. The adjusters were reminded to alert the insured and document the discussion that he or she may seek reimbursement for expenses incurred in the notarizing of documents.

77. In one instance, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. Specifically, the Company failed to disclose how a claim for recoverable depreciation can be made. 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 acknowledges this finding. To ensure future compliance, the Company conducted remedial training with staff on June 2, 2014.

78. In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. Specifically, the Company failed to issue payment for the full amount owed the insured for damages as a result of the claim. The Department alleges this act is in violation of CCR §2695.7(g) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: This is an isolated finding. To correct the error, the Company issued a payment of \$672.36 to the insured.

79. In one instance, the Company settled the claim on the basis of a written scope and/or estimate without supplying the insured with a copy of each document upon which the settlement was based. The Department alleges this act is in violation of CCR §2695.9(d) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. To ensure future compliance, the Company counseled the individual adjuster and conducted remedial training with staff on June 2, 2014.

80. In one instance, the Company improperly applied betterment or depreciation to property not normally subject to repair and replacement during the useful life of the property. Specifically, the Company applied depreciation to framing and rough carpentry. In the absence of detailed documentation of potential decay or wear-and-tear, these structural components are not normally subject to repair and replacement during the useful life of the structure. The Department alleges this act is in violation of CCR §2695.9(f) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: As a result of the findings of the examination, the Company issued a payment of \$60.54 to the insured. The Company reinforced with the adjuster the need to detail and document the basis of the depreciation applied based on age, condition and useful service life and apply that basis only to property that is normally subject to repair and replacement.