

**[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**

**PERMANENT GENERAL ASSURANCE CORPORATION  
NAIC # 37648 CDI # 2979-3**

**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.**

## TABLE OF CONTENTS

<b>SALUTATION .....</b>	<b>1</b>
<b>FOREWORD.....</b>	<b>2</b>
<b>SCOPE OF THE EXAMINATION.....</b>	<b>3</b>
<b>EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED.....</b>	<b>4</b>
<b>RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS .....</b>	<b>5</b>
<b>DETAILS OF THE CURRENT EXAMINATION .....</b>	<b>6</b>
<b>TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS .....</b>	<b>11</b>
<b>SUMMARY OF EXAMINATION RESULTS .....</b>	<b>12</b>

**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:

**Permanent General Assurance Corporation**  
**NAIC # 37648**  
**Group NAIC # 0473**

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

This report is made available for public inspection and is published on the California Department of Insurance website ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938(b)(1).

## FOREWORD

The examination covered the claims handling practices of the aforementioned Company on personal automobile 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 in this report by examiners, additional violations of CIC §790.03, or other law, not cited in this report may also apply to any or all of the non-complaint 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; and 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 the Company in Phoenix, Arizona.

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

The personal automobile claims reviewed were closed from February 1, 2013 through January 31, 2014, referred to as the “review period”. The examiners randomly selected 212 PGAC claim files for examination. The examiners cited 200 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included failure to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made; failure to properly advise the insured that the driver of the insured vehicle was principally at fault for an accident; failure 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; and failure to include, in the settlement, the license fee and other annual fees computed based upon the remaining term of the current registration.

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

The results of the market analysis review revealed that the Company was the subject of four enforcement actions from 2009 to 2012 in the states of Florida, Colorado, Arizona and Virginia. These actions alleged violations in claims handling, market conduct and/or underwriting practices. The examiners focused on the claims handling issues during the course of the file review.

The Company was the subject of 39 California consumer complaints and inquiries closed from February 1, 2013 through January 31, 2014, in regard to the line of business reviewed in this examination. Of the complaints and inquiries, the CDI determined three complaints were justified for failure to provide forms within 15 days of claim notice; failure to respond to communication within 15 days; failure to maintain a complete claim file and failure to accept or deny a claim within 40 days of receiving proof of claim. The examiners focused on these issues during the course of the file review.

The previous claims examination reviewed a period from January 1, 2003 through December 31, 2003. The most significant noncompliance issues identified in the previous examination report were the Company's failure to provide written notice every 30 days of the need for additional time to investigate the claim; failure 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; and failure to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. These issues were identified as problematic in the current examination.

## DETAILS OF THE CURRENT EXAMINATION

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

<b>PGAC SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS IN REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Personal Auto / Physical Damage	2,591	70	84
Personal Auto / Liability	5,312	70	78
Personal Auto / Uninsured Motorist	152	47	24
Personal Auto / Medical Payment	109	25	14
<b>TOTALS</b>	8,164	212	200

## TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	PGAC Number of Alleged Violations
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.	29
	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.	1
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.	22
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.	21
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
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.	13
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.	13
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.	12
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.	9
	The Company failed to specify, in the written notice, any additional information the insurer requires to make a claim determination and to state any continuing reasons for the Company's inability to make a determination.	2

Citation	Description of Allegation	PGAC Number of Alleged Violations
CCR §2695.8(k) *[CIC §790.03(h)(5)]	<p>The Company failed to provide reasonable notice to a claimant before terminating payment for storage charges.</p> <p>The Company failed to pay the reasonable storage charges incurred by the claimant.</p>	9  1
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.	9
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	6
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.	5
CCR §2695.8(e)(2) *[CIC §790.03(h)(3)]	The Company suggested or recommended that an automobile be repaired at a specific repair shop without informing the claimant in writing of the right to select the repair facility, pursuant to CIC §758.5.	5
CIC §1871.3(b) *[CIC §790.03(h)(3)]	The Company failed to properly instruct the insured regarding the signing of the theft affidavit.	4
CIC §790.03(h)(1)	The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.	4
CCR §2695.8(i) *[CIC §790.03(h)(3)]	The Company failed to document the basis of betterment or depreciation. The basis for any adjustment shall be fully explained to the claimant in writing.	4
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	2

Citation	Description of Allegation	PGAC Number of Alleged Violations
CIC §1876 *[CIC §790.03(h)(3)]	The Company failed, within 20 days of receipt of a bodily injury, medical payment or uninsured motorist bodily injury claim, to deposit the claims information with a licensed insurance claims analysis bureau.	2
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	2
CCR §2695.5(b) *[CIC §790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	2
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to fully itemize in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Itemization of all components of the settlement was not provided.	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.	2
CIC §11580.011(e) *[CIC §790.03(h)(3)]	The Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy.	2
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation	1
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.	1
CCR §2695.8(i)(1) *[CIC §790.03(h)(5)]	The Company failed to reflect a measurable difference in market value attributable to the condition and age of the vehicle in its basis for any adjustment regarding betterment or depreciation.	1
<b>Total Number of Alleged Violations</b>		<b>200</b>

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

- |                   |  |
|-------------------|--|
| CIC §790.03(h)(1) | The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.                             |
| CIC §790.03(h)(2) | The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.             |
| CIC §790.03(h)(3) | The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. |
| CIC §790.03(h)(5) | The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.                      |

**TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS**

<p align="center"><b>PERSONAL AUTOMOBILE</b>                  2013 Written Premium: \$40,719,145</p> <p><b>AMOUNT OF RECOVERIES</b>                      <b>\$34,374.91</b></p>	<p align="center"><b>NUMBER OF ALLEGED VIOLATIONS</b></p>
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	30
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	22
CCR §2632.13(e)(1) [CIC §790.03(h)(3)]	21
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	14
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	13
CCR §2695.8(c) [CIC §790.03(h)(3)]	13
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	12
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	11
CCR §2695.8(k)[CIC §790.03(h)(5)]	10
CIC §790.03(h)(3)	9
CCR §2695.7(h) [CIC §790.03(h)(5)]	6
CCR §2695.4(a) [CIC §790.03(h)(1)]	5
CCR §2695.8(e)(2) [CIC §790.03(h)(3)]	5
CIC §1871.3(b) [CIC §790.03(h)(3)]	4
CIC §790.03(h)(1)	4
CCR §2695.8(i) [CIC §790.03(h)(3)]	4
CIC §790.03(h)(5)	2
CIC §1876 [CIC §790.03(h)(3)]	2
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	2
CCR §2695.5(b) [CIC §790.03(h)(2)]	2
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	2
CCR §2695.8(f) [CIC §790.03(h)(3)]	2
CIC §11580.011(e) [CIC §790.03(h)(3)]	2
CCR §2695.7(d) [CIC §790.03(h)(3)]	1
CCR §2695.7(g) [CIC §790.03(h)(5)]	1
CCR §2695.8(i)(1) [CIC §790.03(h)(5)]	1
<p align="center"><b>TOTAL</b></p>	<p><b>200</b></p>

## SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report.

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

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

Money recovered within the scope of this report was \$3,190.91 as described in sections number 5, 9, 11, 17, 23, 25, and 26 below. Pursuant to the findings of the examination as described in sections 3 and 5 below, the Company conducted closed claims surveys. Criticism 5 resulted in additional payments of \$31,184.00. The results of the survey, and additional payments were reported to the Department on November 25, 2014. As a result of the examination the total amount of money returned to claimants within the scope of this report was \$34,374.91.

### **PERSONAL AUTOMOBILE**

**1. In 30 instances, the Company failed to comply with the requirements of CCR §2695.8(b) (1) (A) as described below:**

**1(a). In 29 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.**

**1(b). In one instance, the Company failed to inform the claimant of his or her right to seek a refund of the unused license fees from the Department of Motor Vehicles.**

The Department alleges these acts are in violation of CCR §2695.8(b)(1)(A) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees that it did not use a salvage value that was determined by the amount that a salvage pool or a licensed salvage dealer, wholesale motor vehicle auction or dismantler will purchase the salvage. The Company indicates that on a total loss claim, the adjuster only requests a salvage quote and not an actual bid through a third-party vendor.

As a result of the examination, the Company implemented a salvage process which produces a salvage value that is determined by the amount for which a salvage pool or licensed salvage dealer, wholesale motor vehicle auction or dismantler will purchase the salvage in compliance with CCR §2695.8(b)(1)(A). Effective October 1, 2014, the Company entered into an agreement with a salvage vendor to provide guaranteed salvage bids. The bids will be incorporated into the file documentation.

The Company also agrees that it failed to inform a claimant of his/her right to seek a DMV refund. The Company states this was an unintentional oversight and has revised its template total loss letter to include this disclosure. A sample copy of the revised template was provided to the Department.

**2. In 22 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.** In all instances, the claimants were not given a copy of the vehicle valuation reports. The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company states in all instances it is their practice to provide total loss evaluation reports to the insureds or claimants by email or regular mail at the time the total loss offer is extended. However, due to documentation errors proof of this was not evident in the files. As a result of the examination, the Company revised its total loss template to reflect that a copy of the total loss report has been attached. A sample copy of the revised template letter was provided to the Department.

**3. In 21 instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident.** In 19 instances, the Company failed to send the determination of fault notices in writing. In the last two instances, the Company failed to state the basis of the liability determination in its at-fault letters. 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:** The Company agrees with the findings. As a result of the examination, the Company conducted a self-survey covering

the period August 2, 2011 through August 1, 2014 to identify claims requiring at-fault notices. The Company reported the results of the survey to the Department on November 26, 2014. The Company reviewed 2,905 claim files and issued 2,421 letters to their insureds. Further, the Company conducted refresher training for claims personnel as of November 26, 2014, and will monitor its claim files for regulatory compliance.

**4. In 14 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 agrees with the findings. As a result of the examination, the Company revised its California template denial letter to include the California Department of Insurance (CDI) contact information. A sample copy of the revised template letter was provided to the Department.

**5. In 13 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.** In 13 instances, the Company failed to correctly calculate the pro-rated unused license fees and other applicable fees on a total loss settlement. The Department alleges these acts are in violation of CCR §2695.8(b)(1) and are unfair practices under CIC §790.03(h)(5).

**Summary of the Company's Response:** The Company agrees that in all instances, it failed to calculate correctly the unused license fees and other annual fees. The Company reopened the claims and issued additional monies owed totaling \$469.01. The Company acknowledges that it was mistaken in its interpretation of a third party vendor's report that was relied upon by the Company for calculating fees pursuant to the regulation requirement. As a result of the examination, the Company has implemented new procedures to calculate the prorated fees correctly. In addition to the actions items outlined, the Company has subscribed to an additional service through its ACV vendor. The Company reports this service automatically calculates the correct taxes and fees owed, effectively eliminating all possibility for calculation errors. Further, the Company provided training for its claim staff on the correct calculation and reimbursement of total loss fees. In addition, a reference tool has been completed and will be incorporated into the Company's manual on California Claims Handling Procedures.

The Company also conducted a self-audit of total loss claims from August 1, 2011 to September 25, 2014 and reported the results to the Department. The audit included 2,712 total loss claims for this period and revealed that 584 claims were owed additional total loss fees. The Company issued additional payments to claimants amounting to \$31,184.00.

6. **In 13 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 agrees to the findings and indicates that these were the results of unintentional oversight. The Company revised its template total loss letter to include this notification. A sample copy of the revised template letter was provided to the Department.

7. **In 12 instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.** The Company failed to provide the necessary forms such as accident report forms, insurance certificate forms, medical authorizations, wage verifications forms, and Medicare reporting forms. The Department alleges these acts are in violation of CCR §2695.5(e)(2) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees to the findings and states that these were the results of unintentional oversight. The Company indicates it has a procedure to send all necessary forms and instructions within 15 days. The Company addressed this matter with staff for reinforcement. The Company also conducted refresher training on this requirement and will audit claims for regulatory compliance through its regular quality assurance process.

8. **In 11 instances, the Company failed to comply with the requirements of CCR §2695.7(c)(1) as described below:**

8(a). **In nine instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days.** In six instances, the Company's status letters were not transmitted within 15 days as required by regulation. In the last three instances, the Company failed to send these regulatory notices.

8(b). **In two instances, the Company failed to specify, in the written notice, any additional information the insurer requires to make a claim determination and to state any continuing reasons for the Company's inability to make a determination.** In two instances, the Company's status letter failed to advise the claimant as to what information was specifically required at that time in order to resolve the claim.

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:** With regard to 8(a) and 8(b), Company agrees to the findings. The Company addressed this matter with staff for reinforcement. The Company also completed refresher training on September 26, 2014,

including the requirement for letters to provide specific information that is needed in order to resolve the claim. The Company will audit claims for regulatory compliance through its regular quality assurance process. The Company's plan for corrective action also includes refresher training for claims staff.

**9. In 10 instances, the Company failed to comply with the requirements of CCR §2695.8(k) as described below:**

**9(a). In nine instances, the Company failed to provide reasonable notice to a claimant before terminating payment for storage charges.** In five instances, the Company improperly sent deadline letters to its insureds indicating that storage would be terminated after five days from the date of the accident. In four instances, the Company failed to give the claimant adequate notice in order to move their vehicles from storage.

**9(b). In one instance, the Company failed to pay the reasonable storage charges incurred by the claimant.** The Company mailed a storage mitigation letter to the insured capping storage at five days. The Company failed to pay four days of reasonable storage resulting in a deduction of \$140.00 from the insured's total loss settlement.

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:** Regarding 9(a), in five instances the Company agrees the decision to send letters limiting storage to five days was done in error, and did not meet the Company's own guidelines. The Company acknowledges that there was a widespread misunderstanding of the correct usage of the storage mitigation letter, and that its template letter has been revised. A sample copy of the revised template letter was provided to the Department. In four instances, the Company agrees that the letters to the claimants failed to provide adequate notice to move their vehicle prior to the termination of storage. On a going-forward basis, the termination of storage notification letters will be sent only after investigating the claim on a case by case basis.

Regarding 9(b), the Company agrees that it failed to pay reasonable storage charges and has reopened a claim to issue additional monies owed in the amount of \$140.00. Further, the Company has removed any reference to a "five-day limit" from its storage template letter. A sample copy of the revised template letter was provided to the Department.

**10. In nine instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.** The Company sent liability denial letters to unrepresented claimants without notifying them of the applicable statute of limitations on six Property Damage (PD) claims, two Bodily Injury (BI) claims, and one Uninsured Motorist Bodily

Injury (UMBI) claim. The Company prematurely closed the claims without ensuring that all regulatory notices had been completed. The Department alleges these acts are in violation of CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees with the findings. As a result of the examination the Company reopened the claims and sent a letter to each claimant notifying them of the applicable statute of limitations. As a result of the examination, the Company revised its liability template notice to include the required notice on the applicable statute of limitations. A sample copy of the revised template letter was provided to the Department.

**11. In six instances, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.** The Company failed to issue payments within 30 days on three first party repair estimates, and two medical payment (Medpay) invoices. In the last instance, the Company failed to issue payment under Uninsured Motorist Property Damage (UMPD) coverage after it received confirmation from the adverse claimant carrier that the claimant did not have insurance coverage. 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 agrees with the findings on delayed payments or non-payment of eligible benefits under the policy. The Company believes these were unintentional oversights as it is their process to issue payment within 30 days. As a result of the examination, the Company reopened claims and issued additional payments which totaled \$1,919.26. The Company's corrective action also included refresher training to the claims staff regarding compliance with this regulation on November 26, 2014.

**12. In five instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** In a total of two instances, the Company failed to advise insured passengers of the \$5,000.00 in medical payment (Medpay) coverage; in two instances the Company failed to advise the insured the property damage liability coverage was limited to \$5,000.00; and in one instance the Company failed to advise the insured of their \$1,000.00 collision deductible. 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:** In two instances, the Company agrees there were oversights in explaining the limit of medical payments coverage to the insured's passengers. The Company has updated its medical payments form letter to include the limits of medical payments coverage. In two instances the Company agrees the property damage coverage limit was not explained to the insured. In one instance the Company agrees the collision deductible was not explained correctly and sent a letter to the insured advising of the correct collision deductible. The Company believes that these were unintentional oversights as it has a form letter for this purpose.

The Company has addressed this issue with claims handlers and provided refresher training to its claim staff on November 26, 2014.

**13. In five instances, the Company suggested or recommended that an automobile be repaired at a specific repair shop without informing the claimant in writing of the right to select the repair facility, pursuant to CIC §758.5.** The Department alleges these acts are in violation of CCR §2695.8(e)(2) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees to the findings. The Company states its process is to send written notification of the right to select the repair facility when a Direct Repair Program option is presented to a customer. As a result of the examination, the Company provided refresher training to the claims staff reminding them of the process, in addition to conducting ongoing internal quality checks to audit for compliance.

**14. In four instances, the Company failed to properly instruct the insured regarding the signing of the theft affidavit.** The Company sent a theft affidavit to the insured requiring that it must be signed, notarized, and returned by mail to a Permanent General Claims Office. The insured should have been informed of another option that, in lieu of notarization, the form can be signed in the presence of the insurance agent, broker, adjuster, or other claims representative. The Department alleges these acts are in violation of CIC §1871.3(b) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees in all instances. The Company revised its template letter form to provide its customers with a clear explanation of the affidavit options available. A sample copy of the revised form was provided to the Department.

**15. In four instances, the Company misrepresented to claimants pertinent facts or insurance policy provisions relating to coverages at issue.** In three instances the Company failed to give the insured a proper explanation of the coverage provisions of Uninsured Motorist Property Damage. In one instance, the property damage (PD) liability coverage limit was \$10,000; however, the Company sent the insured a letter, on December 13, 2013, incorrectly advising that the PD liability limit was \$5,000. The Department alleges these acts are in violation of CIC §790.03(h)(1).

**Summary of the Company's Response:** The Company states that in three instances, the Uninsured Motorist Property Damage (UMPD) coverage was not explained correctly. As a result of the examination, the Company revised its template letter and provided a sample copy to the Department. In the last instance, the Company agrees an incorrect UMPD limit was reflected in its letter to an insured however, it believes this was an isolated incident. The Company sent a correction letter as a result of the examination and has provided refresher training to its staff for compliance reinforcement.

**16. In four instances, the Company failed to document the basis of betterment or depreciation. The basis for any adjustment shall be fully explained to the claimant in writing.** In each instance the Company deducted betterment from the settlement. The Company did not provide a written basis for the claim adjustment to the claimant. The Department alleges these acts are in violation of CCR §2695.8(i) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees to the findings. The Company's process is to send written notification of when betterment is applied to a claim, and it has a form letter for this purpose. As a result of the examination, the Company provided refresher training to the claims staff reminding them of the process and usage of the form letter. Further, the Company states that it conducts ongoing quality checks to audit for compliance.

**17. 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, the insured incurred out-of-pocket car rental expenses as a result of an unnecessary delay in settlement. In the second instance, the Company's condition adjustment was not validated as it could not be supported by the independent appraiser's condition report, supporting pictures, and other claim documentation. The Department alleges these acts are in violation of CIC §790.03(h)(5).

**Summary of the Company's Response:** In both instances, the Company agrees to the findings. As a result of the examination, a supplemental payment was issued to the claimant for out-of-pocket expenses in the amount of \$167.63. In the second instance, the Company agrees that there was not an appropriate amount of documentation in the file indicating why the adjustments were made to the vehicle's condition; however the changes to the condition ratings were warranted based on the appraiser's comments. The Company believes this was a documentation issue and provided training to the claims staff reinforcing any adjustments to the condition report must be documented and supported.

**18. In two instances, the Company failed, within 20 days of receipt of a bodily injury, medical payment or uninsured motorist bodily injury claim, to deposit the claims information with a licensed insurance claims analysis bureau.** The Department alleges these acts are in violation of CIC §1876 and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees to the findings. The Company's process is to request Insurance Services Office (ISO) on every bodily injury claimant promptly upon opening a bodily injury reserve. The Company addressed this issue with staff for reinforcement. As a result of the examination, the Company provided refresher training to its claims personnel as of November 26, 2014, and will audit claim files for regulatory compliance.

**19. In two instances, the Company failed to acknowledge notice of claim within 15 calendar days.** In both instances the Company received letters of representation from an attorney's office and failed to acknowledge the injury claims 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 agrees to the findings. The Company's process is to acknowledge notice of claim within 15 days. The Company addressed this issue with staff. The Company also provided refresher training to its claims personnel as of November 26, 2014, and it will audit claim files for regulatory compliance.

**20. In two instances, the Company failed to respond to communications within 15 calendar days.** In both instances the Company failed to respond within 15 days to subrogation demands from another insurance carrier. 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 agrees to the findings. The Company states these were unintentional oversights as it is the Company's process to respond to communications within 15 calendar days or sooner. The Company believes these were isolated incidents and has provided refresher training to its claims personnel on November 26, 2014. Additionally, the Company will audit claim files for regulatory compliance

**21. In two instances, the Company failed to fully itemize in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Itemization of all components of the settlement was not provided.** The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees that there is no explanation of the salvage deduction in its settlement letter in the first instance. The Company views this as a documentation error as its process is to explain the evaluation to claimants. In the second instance, the Company indicates that the claimant was provided with an estimate; however the unrelated prior damage on the estimate was not clearly explained as a reduction from the total loss settlement. As a result of the examination, the settlement template letter has been revised to show an itemized deduction for this item. A sample copy of the revised offer letter was provided to the Department.

**22. In two instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.** In both instance, the Company failed to provide a copy of the supplemental estimates for repair to the claimants. 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 agrees to the findings. The Company's process is to send copies of all estimates and supplements to its customers. As a result of the examination, a copy of the supplement repair estimate was sent to both claimants. Additionally, the Company's settlement letter now includes documentation of the enclosed estimate. A sample copy of the revised template letter was provided to the Department. The Company also provided refresher training to its claims personnel as of November 26, 2014, and will conduct audits of its claim files for regulatory compliance.

**23. In two instances, the Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy.** The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h) (3).

**Summary of the Company's Response:** The Company agrees to the findings. As a result of the examination, the Company reopened the claims and issued additional payments of \$311.75. Further, the Company addressed this issue with pertinent staff. The Company also provided refresher training to its claims personnel as of November 26, 2014, and will conduct audits of its claim files for regulatory compliance.

**24. In one instance, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation.** On November 26, 2013 the Company confirmed via telephone call that the claimant had no insurance liability coverage. The Company failed to secure a written coverage denial from the adverse carrier and instructed it's insured to secure this information on his own. The Department alleges this act is in violation of CCR §2695.7(d) and an unfair practice under CIC §790.03(h) (3).

**Summary of the Company's Response:** The Company agrees to the finding. The Company states the customer would have been better served had it contacted the adverse carrier directly. The Company reopened this claim to secure a copy of the denial of coverage letter. As a result of the examination, the Company provided refresher training to the claims staff in addition to conducting its ongoing quality checks to audit for compliance.

**25. In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low.** The Company reduced the Actual Cash Value (ACV) of the claimant's total loss vehicle based on a condition adjustment that was neither consistent nor supported by the condition report and pictures provided by its independent appraiser. The Department alleges these acts are in violation of CCR §2695.7(g) and are unfair practices under CIC §790.03(h) (5).

**Summary of the Company's Response:** The Company agrees to the finding and revised the valuation to include the appropriate ratings on the glass and headliner.

As a result the Company issued a supplemental payment in the amount of \$86.73. The Company has addressed this matter with pertinent staff for compliance reinforcement.

**26. In one instance, the Company failed to reflect a measurable difference in market value attributable to the condition and age of the vehicle in its basis for any adjustment regarding betterment or depreciation.** The Company's notes indicate the actual cash value (ACV) of the vehicle was a higher value than expected. Based on a supervisor's instruction to re-run the condition as "typical" the ACV was re-run resulting in a lower valuation. There was no documentation or evidence in the claim file verifying and/or explaining the basis for this adjustment to the vehicle's condition. The Department alleges this act is in violation of CCR §2695.8(i) (1) and an unfair practice under CIC §790.03(h) (5).

**Summary of the Company's Response:** The Company agrees to the finding. There was insufficient documentation in the file to indicate why the adjustments were made to the condition report. As a result of the examination, the Company revised the vehicle valuation which resulted in an increase in value and an additional payment of \$96.53. The Company has addressed this matter with staff for compliance reinforcement.