[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

OREGON MUTUAL INSURANCE COMPANY
NAIC # 14907 CDI # 0415-0

AS OF AUGUST 31, 2013

ADOPTED DECEMBER 22, 2014

STATE OF CALIFORNIA

CALIFORNIA DEPARTMENT OF INSURANCE

MARKET CONDUCT DIVISION

FIELD CLAIMS BUREAU

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

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DEPARTMENT OF INSURANCE
Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
300 South Spring Street
Los Angeles, CA 90013

December 22, 2014

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims handling practices and procedures in California of:

OREGON MUTUAL INSURANCE COMPANY
NAIC # 14907

Group NAIC # 0645

Hereinafter, the Company listed above also will be referred to as OMIC 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 in Private Passenger Automobile, Commercial Automobile, Homeowner, Dwelling Fire, and Commercial Multiple Peril claims closed during the period September 1, 2012 through August 31, 2013. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer's proposals for correcting the deficiencies. When a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery in this report. While this report contains violations of law that were cited by the examiner, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company's responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of the California Insurance Code, Fair Claims Settlement Practices Regulations, and other related statutes, regulations and case law used by the Company to ensure fair claims settlement practices.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of individual claims files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI during the period September 1, 2012 through August 31, 2013; 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 claims files was conducted at the offices of the Company in McMinnville, Oregon.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Private Passenger Automobile, Commercial Automobile, Homeowner, Dwelling Fire, and Commercial Multiple Peril claims reviewed were closed from September 1, 2012 through August 31, 2013, referred to as the “review period”. The examiners randomly selected 284 claims files for examination. The examiners cited 301 alleged claims handling violations of the California Insurance Code, the California Code of Regulations and the California Vehicle Code from this sample file review.

Findings of this examination included: 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; failure to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident; failure to provide written notice of the need for additional time every 30 calendar days; failure to accept or deny the claim within 40 calendar days of receipt of proof of claim; failure to conduct and diligently pursue a thorough, fair and objective investigation; failure to respond to communications within 15 calendar days; and, failure to include in the settlement of a total loss vehicle the one-time fees incident to transfer of evidence of ownership of a comparable automobile.

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

The Company was the subject of three California consumer complaints and inquiries closed from September 1, 2012 through August 31, 2013, in regard to the lines of business reviewed in this examination. Of the complaints and inquiries, the CDI determined none were justified.

The previous claims examination covered the claims handling practices in Homeowner, Dwelling Fire, Commercial Multiple Peril, and Inland Marine claims closed during the period from June 1, 2000 through May 31, 2001. The previous examination did not cover automobile claims because the Company began marketing automobile insurance in California after May 31, 2001. The most significant noncompliance issues identified in the previous examination report were: failure to maintain all documents, notes and work papers in such detail that events and dates of events can be reconstructed; failure to record in the file the date the Company received, processed, transmitted or mailed every relevant document pertaining to the claim; and, failure to respond to communications. The failure to respond to communications within 15 calendar days was identified as problematic in the current examination.

OMIC 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:

OMIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	**CLAIMS IN REVIEW PERIOD**	**SAMPLE FILES REVIEWED**	**NUMBER OF ALLEGED VIOLATIONS**
Private Passenger Automobile / Collision	301	51	67
Private Passenger Automobile / Comprehensive	34	6	17
Private Passenger Automobile / Property Damage	138	37	63
Private Passenger Automobile / Bodily Injury	32	12	30
Private Passenger Automobile / Uninsured Motorist Property Damage	15	11	10
Private Passenger Automobile / Uninsured Motorist Bodily Injury	9	7	0
Private Passenger Automobile / Medical Payment	66	25	16
Commercial Automobile / Collision	279	19	5
Commercial Automobile / Comprehensive	82	6	4
Commercial Automobile Property Damage	154	21	30
Commercial Automobile Bodily Injury	31	4	4
Commercial Automobile / Uninsured Motorist Property Damage	1	1	1
Commercial Automobile / Uninsured Motorist Bodily Injury	1	1	0
Commercial Automobile / Medical Payment	4	4	0
Homeowner Property and Liability	238	50	38

OMIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	**CLAIMS IN REVIEW PERIOD**	**SAMPLE FILES REVIEWED**	**NUMBER OF ALLEGED VIOLATIONS**
Dwelling Fire	19	4	2
Commercial Multiple Peril / Property	230	15	6
Commercial Multiple Peril / Liability	155	10	8
TOTALS	1,789	284	301

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	OMIC Number of Alleged Violations
CIC §11580.011(e) *[CIC §790.03(h)(3)]	The Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy.	68
CCR §2632.13(e)(2) *[CIC §790.03(h)(1)]	The Company failed to properly advise the insured of the method in which a request for reconsideration of fault can be made. The Company advised the insured that a request for reconsideration of the liability determination must be in writing.	29
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.	29
CCR §2695.7(b) *[CIC §790.03(h)(3)] *Third Party* *[CIC §790.03(h)(4)] *First Party*	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	27
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	25
CCR §2695.5(b) *[CIC §790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	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.	9
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.	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.	9
CIC §790.034(b)(1) *[CIC §790.03(h)(3)]	The Company failed, upon receiving notice of claim, to provide the insured with a copy of §790.03 of the California Insurance Code within 15 calendar days.	8

Citation	Description of Allegation	OMIC 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.	8
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.	8
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. The determination of fault letter was not sent.	7
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.	6
CCR §2695.5(e)(3) *[CIC §790.03(h)(3)]	The Company failed to begin investigation of the claim within 15 calendar days.	6
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.	5
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	5
CIC §11580.011(e) *[CIC §790.03(h)(5)]	The Company failed to replace the 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(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.	3
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.	2
CCR §2695.3(b)(2) *[CIC §790.03(h)(3)]	The Company failed to record in the file the date the Company received, processed, transmitted or mailed every relevant document pertaining to the claim.	2
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.	2

Citation	Description of Allegation	OMIC Number of Alleged Violations
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(3)]	The Company failed to inform the claimant of his or her right to seek a refund of the unused license fees from the Department of Motor Vehicles.	2
CCR §2695.8(i) *[CIC §790.03(h)(3)]	The Company failed to fully explain the basis for any adjustment to the claimant in writing.	2
CCR §2695.9(f) *[CIC §790.03(h)(3)]	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.	2
CCR §2695.9(f) *[CIC §790.03(h)(3)]	The Company failed to fully explain the basis for any adjustment to the claimant in writing.	2
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.	2
CVC §11515(b) *[CIC §790.03(h)(3)]	The Company failed to notify the Department of Motor Vehicles that the owner of a total loss salvage vehicle retained possession of the vehicle.	1
CVC §11515(b) *[CIC §790.03(h)(3)]	The Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b).	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
CIC §1871.3(b) *[CIC §790.03(h)(3)]	The Company failed to properly instruct the insured regarding the signing of the theft affidavit.	1
CIC §1872.4(a) *[CIC §790.03(h)(3)]	The Company failed to report a claim that appeared to be fraudulent to the Department of Insurance Fraud Division within 60 days after determination by the insurer that the claim appears to be fraudulent.	1
CIC §2051.5(b)(1) *[CIC §790.03(h)(1)]	The Company improperly imposed upon an insured a time limit to collect the full replacement cost of the loss. No time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.	1

Citation	Description of Allegation	OMIC Number of Alleged Violations
CCR §2695.7(b)(1) *[CIC §790.03(h)(13)]	The Company failed to provide in its written denial a reference to and explanation of the applications of specific statutes, applicable laws, and policy provisions, conditions or exclusions.	1
CCR §2695.7(p) *[CIC §790.03(h)(3)]	The Company failed to provide written notification to a first party claimant of its decision to discontinue pursuit of subrogation	1
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.	1
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.	1
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.	1
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.	1
CCR §2695.9(f)(1) *[CIC §790.03(h)(5)]	The Company improperly applied depreciation or betterment to the expense of labor necessary to repair, rebuild or replace covered property.	1
Total Number of Citations		**301**

*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)(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.
CIC §790.03(h)(13)	The Company failed to provide promptly a reasonable explanation of the bases relied upon in the insurance policy, in relation to the facts or applicable law, for the denial of a claim or for the offer of a compromise settlement.

TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

PRIVATE PASSENGER AUTOMOBILE **2012 Written Premium: $4,382,435** **AMOUNT OF RECOVERIES $19,412.38**	**NUMBER OF ALLEGED VIOLATIONS**
CIC §11580.011(e) [CIC §790.03(h)(3)]	54
CCR §2632.13(e)(2) [CIC §790.03(h)(1)]	29
CCR §2695.7(d) [CIC §790.03(h)(3)]	14
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	11
CCR §2695.7(b) [CIC §790.03(h)(3) or [CIC §790.03(h)(4)]	10
CCR §2695.5(b) [CIC §790.03(h)(2)]	9
CCR §2695.8(f) [CIC §790.03(h)(3)]	8
CCR §2632.13(e)(1) [CIC §790.03(h)(3)]	7
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	7
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	7
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	6
CIC §790.03(h)(3)	5
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	5
CCR §2695.7(g) [CIC §790.03(h)(5)]	5
CIC §11580.011(e) [CIC §790.03(h)(5)]	4
CCR §2695.4(a) [CIC §790.03(h)(1)]	3
CIC §1874.6 [CIC §790.03(h)(3)]	2
CCR §2695.3(b)(2) [CIC §790.03(h)(3)]	2
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	2
CCR §2695.8(i) [CIC §790.03(h)(3)]	2
CIC §1871.3(a)(1) [CIC §790.03(h)(3)]	1
CIC §1871.3(b) [CIC §790.03(h)(3)]	1

TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

PRIVATE PASSENGER AUTOMOBILE **2012 Written Premium: $4,382,435** **AMOUNT OF RECOVERIES $19,412.38**	**NUMBER OF ALLEGED VIOLATIONS**
CIC §1872.4(a) [CIC §790.03(h)(3)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(p) [CIC §790.03(h)(3)]	1
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(5)]	1
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	1
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	1
CCR §2695.8(g)(5) [CIC §790.03(h)(3)]	1
CVC §11515(b) [CIC §790.03(h)(3)]	1
CVC §11515(b) [CIC §790.03(h)(3)]	1
SUBTOTAL	**203**

COMMERCIAL AUTOMOBILE **2012 Written Premium: $5,543,396** **AMOUNT OF RECOVERIES $36,094.22**	**NUMBER OF ALLEGED VIOLATIONS**
CIC §11580.011(e) [CIC §790.03(h)(3)]	14
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	7
CCR §2695.7(b) [CIC §790.03(h)(3)] or [CIC §790.03(h)(4)]	6
CCR §2695.7(d) [CIC §790.03(h)(3)]	5
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	4
CCR §2695.5(b) [CIC §790.03(h)(2)]	3
CCR §2695.7(g) [CIC §790.03(h)(5)]	2
CCR §2695.7(b)(1) [CIC §790.03(h)(3)]	1

COMMERCIAL AUTOMOBILE **2012 Written Premium: $5,543,396** **AMOUNT OF RECOVERIES $36,094.22**	**NUMBER OF ALLEGED VIOLATIONS**
CCR §2695.7(p) [CIC §790.03(h)(3)]	1
CCR §2695.8(f) [CIC §790.03(h)(3)]	1
SUBTOTAL	**44**

HOMEOWNER / DWELLING FIRE **2012 Written Premium: $7,066,319** **AMOUNT OF RECOVERIES $318.51**	**NUMBER OF ALLEGED VIOLATIONS**
CIC §790.034(b)(1) [CIC §790.03(h)(3)]	8
CCR §2695.7(b) [CIC §790.03(h)(3) or [CIC §790.03(h)(4)]	7
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	7
CCR §2695.7(d) [CIC §790.03(h)(3)]	5
CCR §2695.4(a) [CIC §790.03(h)(1)]	3
CCR §2695.9(f) [CIC §790.03(h)(3)]	2
CCR §2695.9(f) [CIC §790.03(h)(3)]	2
CCR §2695.9(f) [CIC §790.03(h)(5)]	2
CIC §2051.5(b)(1) [CIC §790.03(h)(1)]	1
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	1
CCR §2695.7(g) [CIC §790.03(h)(5)]	1
CCR §2695.9(f)(1) [CIC §790.03(h)(5)]	1
SUBTOTAL	**40**

COMMERCIAL MULTIPLE PERIL **2012 Written Premium: $10,611,800** **AMOUNT OF RECOVERIES $0**	**NUMBER OF ALLEGED VIOLATIONS**
CCR §2695.7(b) [CIC §790.03(h)(3)] or [CIC §790.03(h)(4)]	4
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	4
CCR §2695.5(b) [CIC §790.03(h)(2)]	2
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	2
CCR §2695.7(d) [CIC §790.03(h)(3)]	1
CCR §2695.7(p) [CIC §790.03(h)(3)]	1
SUBTOTAL	**14**

TOTAL	**301**

SUMMARY OF EXAMINATION RESULTS

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

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

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

Money recovered within the scope of this report was $3,129.84 as described in sections number 5, 14, 26, 28, 38, 52 and 53 below. Following the findings of the examination, closed claims surveys as described in sections 1, 10, 14, 32, 36 and 38 below were conducted by the Company. The instances identified in the examination were included in the surveys and are referenced in the corresponding summary sections. The surveys resulted in additional payments of $52,695.27. Therefore, as a result of the examination, the total amount of money returned to claimants within the scope of this report was $55,825.11.

PRIVATE PASSENGER AUTOMOBILE

1. In 54 instances, the Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy. The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges it did not consistently ask the questions and/or document the answers regarding child passenger restraint systems. The Company states it asked whether there was a child

passenger restraint system in the vehicle and whether it was occupied; however, if told the seat was unoccupied, the Company acknowledges it failed to ask if it was damaged in the loss.

As a result of the examination, the Company immediately implemented a new procedure at the point the loss is reported to its call center. Specifically, the call center is now required to ask each vehicle driver or owner about a child passenger restraint system. The questions and responses will be documented in the notice of loss. In the event the information is not provided with the notice of loss, the adjuster has the responsibility to ask the questions and to document the claim log.

Additionally, the Company developed a new procedure for the reimbursement of the cost of purchasing a new child passenger restraint system if it was in use or was damaged in the loss. If it is determined the car seat was in use or was damaged, the Company will promptly pay for the car seat and will not wait for a replacement receipt once the make and model are determined. If the make and model are not known, the Company will pay $55 for an infant car seat, $45 for a convertible car seat and $25 for a booster seat. These allowances are based on Walmart prices available in California.

To address past harm, the Company conducted an internal survey of all paid physical damage claims in California with a date of loss from January 1, 2010 to November 8, 2013, to determine if the car seat questions were asked and documented. If the claim file indicates the questions were not asked, the Company contacted the claimant by letter or email to determine if payment is owed. The Company completed the survey and reported the results to the Department on July 1, 2014. The documentation provided to the Department shows the Company reviewed 264 Combined Commercial and private passenger automobile physical damage claims in the survey and reimbursed 25 private passenger automobile claimants a total of $5,515.65 for child passenger restraint systems.

2. In 29 instances, the Company failed to properly advise the insured of the method in which a request for reconsideration of fault can be made. In these instances the Company advised the insured 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)(1).

Summary of the Company's Response: The Company acknowledges this finding. As a result of this examination, the Company immediately revised its principally at-fault letter such that it no longer states the request for reconsideration must be written.

3. In 14 instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. Specifically, these instances identify the failure or delay in contacting claimants, the failure to follow up on additional information, file inactivity over extended periods of time, and file closure before investigations were

complete. The Department alleges these acts are in violation of CCR §2695.7(d) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

4. In 11 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 these findings. The Company immediately coached the adjusters on these claims. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

5. In 10 instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. It was noted in one of the 10 instances that the Company did not accept or deny two tow bills, totaling $679 that were incurred in the same claim, within 40 calendar days. The claim file did not indicate whether or not the Company required additional information in order to pay these bills. 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: The Company acknowledges these findings and states the bills were overlooked by the adjuster. As a result of the examination, the Company re-opened the file and paid the claimant $679 for the unpaid tow bills. The Company has coached the adjusters on these claims. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

6. In nine 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).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

7. In eight instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based. In six instances, the

Company failed to supply the claimant with a copy of the original estimate upon which the settlement was based. In two instances, the Company failed to supply the claimant with a copy of the supplemental 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 these findings. The Company conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

8. In seven instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident. In all identified instances the Company failed 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: The Company acknowledges these findings. The Company re-opened each identified claim and sent the principally at-fault letter to each insured. The Company provided the Department with the date each letter was sent. The adjusters assigned to each of the affected claims were immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

9. In seven 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 it did not provide necessary forms, instructions, and reasonable assistance within 15 calendar days in these instances. The adjusters assigned to each of the affected claims were immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

10. In five 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 two 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: The Company acknowledges these findings. In response to the concern that the Company may not have paid the correct

amount of license fees, other annual DMV fees, and the transfer of title fee, the Company conducted an internal survey on all California total loss claims with a date of loss between July 1, 2010 and December 31, 2013 in order to determine if additional money is owed. The survey included the seven instances identified in the examination and referenced in this summary section. The Company implemented the use of a DMV web application to determine the correct DMV Fee amount to be paid and found that 120 total loss claims required additional payments. The Company reimbursed a total amount of $8,377.77 to the vehicle owners by March 14, 2014, and provided the Department with documentation of the payments made to claimants. The Company provided a spreadsheet to the Department containing all information for each individual claim with the payment amount. As additional corrective action, the Company conducted training for all adjusters and managers who handle California claims on December 11, 2013. As a result of this examination, the Company now utilizes a vendor that provides the Company with the correct settlement amount for registration, title, annual fees and one-time fees required in total loss settlements.

11. 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 it did not contact the claimant within the first 15 days in these instances. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

12. In five instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. Specifically, the Company failed to comply with the requirements of CIC §995.1, which requires an insurer to promptly record a claim and establish claim reserves once notified of a policy claim, and failed to follow its own procedures for setting a timely case reserve that reflects the probable ultimate payment of a loss. The Department alleges these acts are in violation of CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

13. In five 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 recognizes it did not acknowledge receipt of the claim within 15 days in these instances. The adjuster

assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

14. <u>In five instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low.</u> In two instances, the Company obtained a salvage bid from three separate vendors and chose the amount between the high and low bids as the salvage amount to be deducted from the actual cash value. In one instance in which the Company retained the salvage, the Company wrongly deducted the salvage amount from the settlement. In one instance, the Company requested a total loss valuation for the claimant vehicle based on a rating of "good" when all of the documents presented to the Company rated the car as "excellent". In one instance, the Company deducted $76 from a subrogation demand from the claimant carrier and incorrectly told the carrier it could retrieve the money directly from the Department of Motor Vehicles (DMV). The Department alleges these acts are in violation of CCR §2695.7(g) and are unfair practices under CIC §790.03(h)(5).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. As a measure to correct past harm, the Company conducted a survey on total loss claims where the owner retained the salvaged vehicle and the middle of three salvage bid amounts was used as the deduction. The Company identified all California total losses reported between July 1, 2010 and December 31, 2013. Each total loss adjustment was examined to determine whether the totaled vehicle salvage was retained by the owner. The Company found 16 owner-retained settlements in which it did not deduct the lowest of the salvage bids. The Company issued payments totaling $3,929.46 to the 16 vehicle owners, including the two settlements identified in the examination, for the difference between the original amount deducted for salvage and the lowest salvage bid obtained. An explanatory letter accompanied each payment check. The Company completed the review and provided documentation of the results to the Department in April 2014.

In addition to the survey, and as a result of this examination, the Company immediately changed its procedure such that it obtains one salvage quote from one vendor and utilizes one salvage quote as the deduction for salvage in an owner-retained total loss settlement.

To correct the errors in the remaining three instances, the Company reopened and audited the identified claims. As a result, the claimant whose settlement was incorrectly reduced by a salvage amount was paid $103.00; the claimant whose vehicle was rated as "good" rather than "excellent" was paid $513.50; and, the claimant carrier was reimbursed the $76.00, for a total recovery amount of $692.50. The adjuster assigned to each of the affected claims was immediately coached on the error.

The Company also conducted refresher training on these issues on December 11, 2013, for all adjusters and managers who handle California claims.

15. <u>In four instances, 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.</u> The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(5).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. In an effort to correct the errors, the Company reopened the identified claims to contact the claimants. One claimant stated the other carrier already reimbursed her. The Company confirmed this with the other carrier. The second claimant explained the car seat was unoccupied and undamaged. The third claimant, who had two unoccupied car seats, could not be reached by telephone, so the Company sent a letter asking the claimant to contact the Company if the two car seats were damaged in the loss. The Company acknowledges a claimant is owed for replacement of the child seat whether or not the Company receives a receipt. In the event the claimant is unable to provide a receipt, the Company will pay a claimant for a child seat by retrieving the make and model then searching the Internet for pricing.

The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

16. <u>In three instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy</u>. In one instance, the Company did not explain transportation expense to the claimant for a theft claim under a private passenger auto comprehensive coverage. In one instance, the Company did not explain uninsured motorist property damage coverage to the claimant when the other party was not known. In one instance, medical payments coverage was opened on an injury claim and closed with no verification of an injury to an insured. The Department alleges these acts are in violation of CCR §2695.4(a) and are unfair practices under CIC §790.03(h)(1).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

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

<u>Summary of the Company's Response:</u> The Company acknowledges it did not report these instances to the NATB. In response to these findings, the Company notified the NATB of the identified thefts. The adjuster assigned to each of the affected

claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

18. In two instances, the Company failed to record the date the Company received, processed, transmitted or mailed every relevant document pertaining to the claim. The Department alleges these acts are in violation of CCR §2695.3(b)(2) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

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

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

20. In two instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing. The Department alleges these acts are in violation of CCR §2695.8(i) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

21. 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. As a result of the examination, the Company immediately changed its theft affidavit to include the statement that false representations subject the insured to a penalty of perjury.

22. In one instance, the Company failed to properly instruct the insured regarding the signing of the theft affidavit. The insured should have been informed that, in lieu of notarization, the form could be signed in the presence of the insurance agent, broker, adjuster, or other claims representative. The Department alleges this act is in violation of CIC §1871.3(b) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The Company immediately modified its theft affidavit to include a statement that the form can be signed in the presence of the agent, broker, adjuster or other claims representative.

23. In one instance, the Company failed to report a claim that appeared to be fraudulent to the Department of Insurance Fraud Division within 60 days after determination by the insurer that the claim appears to be fraudulent. The Department alleges this act is in violation of CIC §1872.4(a) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

24. 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 that the CDI information was not put in the denial letter. This was an oversight by the adjuster. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

25. In one instance, the Company failed to provide written notification to a first party claimant of its decision to discontinue pursuit of subrogation. The Department alleges this act is in violation of CCR §2695.7(p) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

26. <u>In one instance, the Company failed to include, in the settlement, fees incident to the transfer of the vehicle to salvage status.</u> 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).

<u>Summary of the Company's Response:</u> The Company acknowledges the finding and paid the $18.00 fee to the owner to correct the error. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

27. <u>In one instance, 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.</u> 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)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges the finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

28. <u>In one instance, 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.</u> Specifically, The Company arbitrarily determined the value of the salvage of the claimant's car to be $200 without obtaining an actual bid from a salvage vendor. 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)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges the finding. After a review of the claim, the Company elected to pay back the $200 to the claimant. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

29. <u>In one instance, the Company required the use of non-original equipment manufacturer replacement crash parts without the use of such parts disclosed in accordance with §9875 of the California Business and Professions Code.</u> The Department alleges this act is in violation of CCR §2695.8(g)(5) and is an unfair practice under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges the independent adjuster's estimate did not provide the correct disclosure for using Like Kind and Quality parts. The Company's Material Damage Manager contacted all

independent adjuster vendors on October 4, 2013, and advised them of this requirement. The vendors have agreed to make this change moving forward.

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

<u>Summary of the Company's Response</u>: The Company acknowledges the finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

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

<u>Summary of the Company's Response</u>: The Company acknowledges the finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

<u>COMMERCIAL AUTOMOBILE</u>

32. <u>In 14 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.</u> The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges it did not consistently ask the questions and/or document the answers regarding child passenger restraint systems. The Company states it asked whether there was a child passenger restraint system in the claimant vehicle and whether it was occupied; however, if told the seat was unoccupied, the Company acknowledges it failed to ask if it was damaged.

As a result of the examination, the Company immediately implemented a procedure at the point the loss is reported to its call center. Specifically, the call center is now required to ask each vehicle driver or owner about a child passenger restraint system. The questions and responses will be documented in the notice of loss. In the event the information is not provided with the notice of loss, the adjuster has the responsibility to ask the questions and to document the claim log.

Additionally, the Company developed a new procedure regarding reimbursing the cost of purchasing a new child passenger restraint system if it was in use or was

damaged in the loss. If it is determined the car seat was in use or damaged, the Company will promptly pay for the car seat and will not wait for a replacement receipt once the make and model are determined. If the make and model are not known, the Company will pay $55 for an infant car seat, $45 for a convertible car seat and $25 for a booster seat. These allowances are based on Walmart prices available in California.

To address past harm, the Company conducted a survey and reviewed all paid physical damage claims in California with a date of loss from January 1, 2010 to November 8, 2013, to determine if the car seat questions were asked and documented. If the questions were not asked, the Company contacted the insured/claimant by letter or email to determine if payment is owed. The Company completed the survey and reported the results to the Department on July 1, 2014. The documentation provided to the Department shows the Company reviewed 264 Combined Commercial and private passenger automobile physical damage claims in the survey and reimbursed four commercial automobile claimants a total of $455.25 for child passenger restraint systems.

33. In seven 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 these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company has also completed refresher training going over all requirements for all of the adjusters and managers who handle California claims. The refresher training was completed on December 11, 2013.

34. In six instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. 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: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

35. In five instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. Specifically, these instances identify the failure or delay in contacting claimants, the failure to follow up on additional information, file inactivity over extended periods of time, and file closure before investigations were complete. The Department alleges these acts are in violation of CCR §2695.7(d) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

36. In four 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).

Summary of the Company's Response: The Company acknowledges these findings. The Company conducted an internal survey on all California total loss claims with a date of loss between July 1, 2010 and December 31, 2013 in order to determine if additional money is owed to the claimants. This included the claims in the examination period and was in conjunction with the internal survey conducted in regard to license fee and other annual fees computed based upon the remaining term of the registration. The Company implemented the use of a DMV web application to determine the correct fee amount to be paid and found that 77 total loss claims required additional payments. The Company reimbursed a total amount of $9,182.68 to the vehicle owners by March 14, 2014. The Company provided a spreadsheet to the Department containing all information for each individual claim with the payment amount. Also, the Company conducted training for all adjusters and managers who handle California claims on December 11, 2013. As a result of this examination, the Company immediately began using a vendor that provides the Company with the correct settlement amount for registration, title, annual fees and one time fees for total loss settlements.

37. In three 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).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

38. In two instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. In one instance, three separate salvage bids were obtained and, while it is the Company's procedure to use the middle of the three quotes, the Company elected to obtain and use a fourth bid known as "Proquote", which is a salvage value bid generated by the salvager Co-Part. In this instance, the Proquote bid was $1,171.83 higher than the lowest of the original three bids obtained. In one instance, the Company failed to follow its procedure to compensate the insured in a total loss settlement for the gasoline that remained in the vehicle. 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 acknowledges these findings. To correct the errors, the Company reopened and reviewed both claims. The Company paid $50.00 to one claimant for gas and reimbursed $1,171.83 to the other claimant for the salvage. To address past harm, the Company conducted a survey on total loss claims, where the owner retained the salvaged vehicle and the middle of three salvage bid amounts was used as the deduction. The Company identified all California total losses reported between July 1, 2010 and December 31, 2013. Each total loss adjustment was examined to determine whether the totaled vehicle salvage was retained by the owner. It was determined that 33 salvage value deductions were not the lowest salvage bid obtained. The Company issued a payment to each of the 33 vehicle owners for the difference between the original salvage reduction amount and the lowest salvage bid obtained. The Company completed the review and reported the results to the Department in April 2014. An explanatory letter accompanied each payment check. The payments totaled $25,234.46 as listed on a spreadsheet provided to the Department.

In addition to the survey, and as a result of this examination, the Company immediately changed its procedure such that it obtains one salvage quote from one vendor and utilizes one salvage quote as the deduction for salvage in an owner-retained total loss settlement.

The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

39. In one instance, the Company failed to deny, dispute or reject a third party claim, in whole or in part, in writing. The Department alleges this act is in violation of CCR §2695.7(b)(1) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

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

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

41. In one instance, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based. The Department alleges this act is in violation of CCR §2695.8(f) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

HOMEOWNER and DWELLING FIRE

42. In eight instances, the Company failed, upon receiving notice of claim, to provide the insured with a copy of §790.03 of the California Insurance Code within 15 calendar days. The Department alleges these acts are in violation of CIC §790.034(b)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

43. In seven instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. 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: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

44. In seven 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 these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

45. In five instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. Specifically, these instances identify the

failure or delay in contacting claimants, the failure to follow up on additional information, file inactivity over extended periods of time, and file closure before investigations were complete. The Department alleges these acts are in violation of CCR §2695.7(d) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

46. In three instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. Specifically, the Company failed to confirm that the independent adjuster explained coverages to the insured. 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 these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

47. 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 the first instance, the Company applied depreciation to sand, stain and finish a wood floor and failed to document both the age and condition of the floor to support the depreciation. In the second instance, the Company failed to demonstrate the basis for the amount of depreciation. 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: In the first instance, the Company acknowledges this finding. The adjuster on this claim no longer works for the Company. To ensure future compliance, the Company conducted refresher training on December 11, 2013, for all of the adjusters and managers who handle California claims.

In the second instance, the Company states:

> "Resolution – While the company believes that its settlements of claims in California in which it applied depreciation were consistent with California law, the company agrees to better document its consideration of age and condition when applying depreciation on homeowner's claims.

Remedy – Going forward we will specifically address in our file the age and condition of depreciable items. We will document the log with this information and memorialize in writing our conversations in which we discuss this with the policyholder as well. A memo will be sent out to all of our California adjusters to address this."

48. <u>In two instances, the Company failed to fully explain the basis for any adjustment to the claimant in writing.</u> The claim file does not indicate the Company provided a written explanation to the insured of the basis for the depreciation taken on refinishing a wood floor in one instance, and on personal property items in the second instance. Neither the "Replacement Cost Agreement" nor the "Vandalism Statement" that were given to each insured provides the basis or the justification for the depreciation. The Department alleges these acts are in violation of CCR §2695.9(f) and are unfair practices under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> In the first instance, the Company acknowledges this finding. The adjuster on this claim no longer works for the Company. To ensure future compliance, the Company also conducted refresher training in all issues noticed on the examination on December 11, 2013, for all adjusters and managers who handle California claims.

In the second instance, the Company states depreciation was explained to the policy holder verbally and acknowledges that it was not explained in writing as it should have been. The adjuster assigned to this claim was immediately coached on this issue. To ensure future compliance, the Company also conducted refresher training in all issues noticed on the examination on December 11, 2013, for all adjusters and managers who handle California claims. The adjusters handling California property losses received additional training to address CCR 2695.9(f).

49. <u>In two instances, the Company improperly applied betterment or depreciation to property not normally subject to repair and replacement during the useful life of the property.</u> In each instance, the Company applied depreciation to one or more structural components not normally subject to repair and replacement during the useful life of the structure. The structural components in the instances noted are not normally subject to repair or replacement during the items' lifespan absent some known reason to do so, such as damage sustained in an insurance loss. Additionally, the files notes at issue were void of any specific documentation regarding the condition of the items that would warrant betterment or depreciation. The Department alleges these acts are in violation of CCR §2695.9(f) and are unfair practices under CIC §790.03(h)(5).

<u>Summary of the Company's Response:</u> The repairs were completed and the recoverable depreciation was paid in these instances. To ensure this is not an issue in

the future, refresher training for all of the adjusters and managers who handle California claims was conducted on December 11, 2013. In addition, the Company states:

> "While we agreed in the specific instances that the depreciation should not have been applied on drywall, insulation and framing, we do not agree that it is never appropriate to apply depreciation on these items. The rule, "not normally subject to repair or replacement" does not mean never subject to repair or replacement. Most times we would not apply depreciation on specific items not normally subject to repair or replacement, but in cases when the age or condition justifies depreciation or betterment we agree that it should be properly documented in the claim file.
>
> Resolution – The Company agrees to document the condition and age of the items and provide justification to warrant betterment or depreciation when it is applied.
>
> Remedy – Going forward we will address depreciation, noting the condition and age of the items in the file. We will document our justification and explain this to the policyholder in writing. We will send out a memo to all of our California adjusters to address this. For claims where there is an independent adjuster used, our claims adjusters review and finalize the estimate to make payment to the policyholder. The independent adjusters make suggestions on depreciation, but for consistency our claims adjusters evaluate and finalize the estimates before payment is made. The application of betterment and depreciation may be appropriate, and we will evaluate these items on a case by case and item by item basis. The reasons for any application of depreciation or betterment will be a focus of improving our communications."

50. <u>In one instance, the Company improperly imposed upon an insured a time limit to collect the full replacement cost of the loss. No time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.</u> The Department alleges this act is in violation of CIC §2051.5(b)(1) and is an unfair practice under CIC §790.03(h)(1).

<u>Summary of the Company's Response:</u> The Company acknowledges this finding. The Company immediately discontinued using its form G4008 and is now using a letter format to convey the correct information. A copy of the letter format was provided to the Department.

51. <u>In one instance, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.</u> The Department alleges this act is in violation of CCR §2695.5(e)(2) and is an unfair practice under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges it did not provide necessary forms, instructions, and reasonable assistance within 15 calendar days. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

52. <u>In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low.</u> The Company failed to include sales tax in the settlement offer. The Department alleges this act is in violation of CCR §2695.7(g) and is an unfair practice under CIC §790.03(h)(5).

<u>Summary of the Company's Response:</u> The Company acknowledges the finding, stating this was an isolated instance. To correct the error, the Company paid sales tax in the amount of $30.86 to the insured. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

53. <u>In one instance, the Company improperly applied depreciation or betterment to the expense of labor necessary to repair, rebuild or replace covered property.</u> The Department alleges this act is in violation of CCR §2695.9(f)(1) and is an unfair practice under CIC §790.03(h)(5).

<u>Summary of the Company's Response:</u> The Company acknowledges this finding. The Company states the adjuster on this claim no longer works for the Company. As a result of the examination, and to correct the error, the Company reopened the claim and reimbursed the claimant $287.65. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

<u>COMMERCIAL MULTIPLE PERIL</u>

54. <u>In four instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.</u> 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).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this

requirement on December 11, 2013, for all adjusters and managers who handle California claims.

55. <u>In four instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days.</u> The Department alleges these acts are in violation of CCR §2695.7(c)(1) and are unfair practices under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

56. <u>In two instances, the Company failed to respond to communications within 15 calendar days.</u> The Department alleges these acts are in violation of CCR §2695.5(b) and are unfair practices under CIC §790.03(h)(2).

<u>Summary of the Company's Response:</u> The Company acknowledges these findings. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

57. <u>In two instances, the Company failed to reference the California Department of Insurance in its claims denial.</u> The Department alleges these acts are in violation of CCR §2695.7(b)(3) and are unfair practices under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges that the CDI information was not put in the denial letter. This was an oversight by the adjusters. The adjuster assigned to each of the affected claims was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

58. <u>In one instance, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation.</u> Specifically, the claim had multiple time gaps in the 17 months the claim remained open. The Department alleges this act is in violation of CCR §2695.7(d) and is an unfair practice under CIC §790.03(h)(3).

<u>Summary of the Company's Response:</u> The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.

59. <u>In one instance, the Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.</u> The

Department alleges this act is in violation of CCR §2695.7(p) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. The adjuster assigned to this claim was immediately coached on this issue. The Company also conducted refresher training in this requirement on December 11, 2013, for all adjusters and managers who handle California claims.