

**[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**

**ALLIANCE UNITED INSURANCE COMPANY
NAIC # 10920 CDI # 4532-8**

AS OF SEPTEMBER 30, 2013

ADOPTED AUGUST 28, 2015

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD CLAIMS BUREAU**

NOTICE

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

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DEPARTMENT OF INSURANCE

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



August 28, 2015

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

Honorable Commissioner:

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

**Alliance United Insurance Company
NAIC # 10920**

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

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

FOREWORD

The examination covered the claims handling practices of the aforementioned Company on personal auto claims closed during the period from October 1, 2012 through September 30, 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 in this report by the examiners, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

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

Alleged violations identified in this report, any criticisms of practices and the 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 October 1, 2012 through September 30, 2013; and a review of previous CDI market conduct claims examination reports on this Company; and a review of a prior CDI enforcement action.

The review of the sample of individual claims files was conducted at the Company's office in Camarillo, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The personal automobile claims reviewed were closed from October 1, 2012 through September 30, 2013, referred to as the “review period”. The examiners randomly selected 235 claim files for examination. The examiners cited 113 alleged claims handling violations of the California Insurance Code and California Vehicle Code from this sample file review.

Findings of this examination include the Company’s failure to pay reasonable towing and storage charges; misrepresenting to claimants pertinent facts or insurance policy provisions relating to coverage; failure 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; failure to effectuate prompt, fair, and equitable settlements of claims; and failure to adopt and implement reasonable standards for the prompt investigation and processing of claims.

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

During the review period, the Company was the subject of ten complaints regarding the line of business reviewed in this examination that were determined to be justified. These included misrepresenting to a claimant pertinent facts or insurance policy provisions relating to coverages at issue, and in one instance each, the failure to comply with sections 2695.3(b)(2), 2695.5(b), 2695.7(b), 2695.7(c)(1), 2695.7(d), and 2695.8(f) of the Fair Claims Settlement Practices Regulations. The examiners focused on these issues during the course of the file review.

The previous claims examination reviewed a period from February 1, 2002 through January 31, 2003. At the time of the examination, the company name was Millennium Insurance Company. The noncompliance issues identified in the previous examination report included the Company's failure to adopt and implement reasonable standards for the prompt investigation and processing of claims; failure to accept or deny a claim within 40 calendar days after receiving proof of claim; and failure to provide written notice of the need for additional time every thirty days. The Department took an enforcement action against the Company based on the examination findings, which resulted in a \$60,000 penalty. In the current examination, the examiners focused on the issues identified in the prior examination and the resulting administrative action.

DETAILS OF THE CURRENT EXAMINATION

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

AUIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Personal Auto/Collision	14,422	60	44
Personal Auto/Comprehensive	2276	10	19
Personal Auto/Property Damage	45,442	55	5
Personal Auto/Bodily Injury	11,939	15	1
Personal Auto/Uninsured Motorist Property Damage	892	44	6
Personal Auto/Uninsured/Underinsured Bodily Injury	527	26	4
Personal Auto/Medical Payments	428	25	34
TOTALS	75,926	235	113

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	AUIC
CIC §790.03(h)(1)	The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.	20
CCR §2695.8(k) *[CIC §790.03(h)(5)]	The Company failed to pay the reasonable storage charges incurred by the claimant.	16
CCR §2695.8(k) *[CIC §790.03(h)(5)]	The Company failed to pay the reasonable towing charges incurred by the claimant.	11
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.	8
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear.	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
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.	5
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.	4
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 §2695.4(a) *[CIC §790.03(h)(1)]	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	3
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.	3

Citation	Description of Allegation	AUIC
CCR §2695.7(b) *[CIC §790.03(h)(3)]	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	3
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	3
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to fully itemize in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Itemization of all components of the settlement was not provided.	3
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company persisted in seeking information not reasonably required for or material to the resolution of a claims dispute	2
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.	2
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	The Company failed to reference the California Department of Insurance in its claims denial.	2
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 of the California Business and Professions Code.	2
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.	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.	1
CCR §2695.7(f) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim.	1
CVC §11515.2(b) *[CIC §790.03(h)(3)]	The Company failed to notify the Department of Motor Vehicles that the owner of a total loss non-repairable vehicle retained possession of the vehicle.	1

Citation	Description of Allegation	AUIC
CVC §11515.2(b) *[CIC §790.03(h)(3)]	The Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515.2(b).	1
CCR §2695.5(b) *[CIC§790.03(h)(2)]	The Company failed to respond to communications within 15 calendar days.	1
CCR §2695.8(g)(3) *[CIC§790.03(h)(3)]	The Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original.	1
CIC §790.03(h)(12)	The Company failed to settle claims promptly, where liability had become apparent, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage.	1
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.	1
CCR §2695.3(b)(1) *[CIC §790.03(h)(3)]	The Company failed to maintain claims data that are accessible, legible and retrievable for examination.	1
Total Number of Alleged Violations		113

***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.
- 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

<p align="center">PRIVATE PASSENGER AUTOMOBILE 2012 Written Premium: \$158,941,737</p> <p>AMOUNT OF RECOVERIES \$71,579.89</p>	<p align="center">NUMBER OF ALLEGED VIOLATIONS</p>
CIC §790.03(h)(1)	20
CCR §2695.8(k) [CIC §790.03(h)(5)] Storage	16
CCR §2695.8(k) [CIC §790.03(h)(5)] Tow	11
CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	8
CIC §790.03(h)(5)	6
CIC §790.03(h)(3)	5
CIC §1876 [CIC §790.03(h)(3)]	5
CCR §2632.13(e)(1) [CIC §790.03(h)(3)]	4
CIC §11580.011(e) [CIC §790.03(h)(5)]	4
CCR §2695.4(a) [CIC §790.03(h)(1)]	3
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	3
CCR §2695.7(b) [CIC §790.03(h)(3)]	3
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	3
CCR §2695.7(d) [CIC §790.03(h)(3)]	3
CCR §2695.7(d) [CIC §790.03(h)(3)]	2
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	2
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	2
CCR §2695.7(g) [CIC §790.03(h)(5)]	2
CCR §2695.8(g)(5) [CIC §790.03(h)(3)]	2
CCR §2695.7(f) [CIC §790.03(h)(3)]	1
CCR §2695.8(f) [CIC §790.03(h)(3)]	1
CVC §11515.2(b) [CIC §790.03(h)(3)]	1
CVC §11515.2(b) [CIC §790.03(h)(3)]	1
CCR §2695.5(b) [CIC§790.03(h)(2)]	1

PRIVATE PASSENGER AUTOMOBILE 2012 Written Premium: \$158,941,737 AMOUNT OF RECOVERIES \$71,579.89	NUMBER OF ALLEGED VIOLATIONS
CCR §2695.8(g)(3) [CIC§790.03(h)(3)]	1
CIC §790.03(h)(12)	1
CIC §1874.6 [CIC§790.03(h)(3)]	1
CCR §2695.3(b)(1)	1
TOTAL	113

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.

Money recovered within the scope of this report was \$7,907.47 as described in sections number 2, 3, 5, 9, 12, and 19 below. Following the findings of the examination, a closed claims survey as described in section six below was conducted by the Companies resulting in additional payments of \$63,672.42. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$71,579.89.

PERSONAL AUTOMOBILE

1. In twenty instances, the Company misrepresented to claimants pertinent facts or insurance policy provisions relating to coverage at issue.

- a) In ten (10) instances, the Company sent written communications to the insureds representing that the policy carried a maximum coverage limit for storage of \$25.00 per day for ten and/or twelve days; and that towing coverage carried a maximum limit of \$150.00 per claim. These representations are inaccurate and are in conflict with the provisions of the policy. The insuring policy contains a provision titled "OTHER DUTIES" which states: "We have no duty to provide coverage under the policy unless there has been full compliance with all terms of this policy. A person claiming coverage under this policy must: Take reasonable steps after a loss to protect the covered vehicle or non-owned vehicle from further loss. *We will pay reasonable expenses incurred in providing that protection.* If you fail to do so, any further damages will not be covered under the policy." The examination revealed that all reasonable expenses actually incurred in these instances were over the limits imposed by the Company. The Company misrepresented that it will pay reasonable expenses incurred for covered loss-related towing and storage charges under the insuring policy.

- b) In seven (7) instances, the Company sent correspondence indicating that the claimant had a \$1000.00 or \$2,000.00 policy limit on Automobile Medical Payments Coverage. In the instances cited, the claimant had coverage limits of \$5,000.00. The Company had misrepresented the Medical Payment limit to the insured.
- c) In two (2) instances, the Company sent storage mitigation letters stating that it will pay reasonable expenses incurred, and more specifically that it would allow five days from the date of the letter to have the insured release the vehicle. In both instances the insureds complied and released their vehicles timely. The Company failed to pay the storage charges as represented in its written correspondence.
- d) In the last instance, the Company represented to the insured that it will “make all efforts to compensate you for reasonable expenses”. However, the Company did not reimburse the actual incurred cost.

The Department alleges these acts are in violation of CIC §790.03(h) (1).

Summary of the Company’s Response: The Company’s response to above item (b) for a total of seven instances states:

The Company agrees to the seven instances of incorrectly providing medical payment limits under item (b). As a result of the examination, Company adjusters will modify the language in their letters explaining Medical Payments coverage limits. The Company indicates these were isolated errors. The Company has instituted a new template to correct this problem on a go-forward basis. Effective May 2014, the modified template letter will not include the amount of coverage information. The medical payments limits will now be disclosed with the initial acknowledgement letter. The Company provided the Department with a copy of the new template letter.

The Company’s response to above items (a), (c) and (d) for a total of 13 instances states:

The Company states that it believes its practices and policy language are in compliance with the law. Nonetheless, the Company has agreed to submit form filings prior to July 1, 2015 that will remove any dollar limit on towing charges and any dollar limit on storage charges from all of its policy forms, and will instead add language that says the Company will cover reasonable charges for these items. The Company will also establish guidelines on determining reasonable towing and reasonable storage charges, and will implement these procedures prior to July 1, 2015.

2. In sixteen instances, the Company failed to pay the storage charges incurred by the claimant. In sixteen instances, the Company underpaid reasonable storage charges by either disqualifying days of storage, and/or paying a lower daily rate for storage charges. A combined total of 56 days of storage were disallowed on these sixteen claims. This resulted in \$5,135.26 in storage charges which were subtracted from the insured's total loss settlements. The details are as follows:

- a) In six (6) instances, the Company reviewed and allowed for the correct number of storage days. However, it only paid \$25 /day towards the actual incurred charges. Depending on geographical location, daily storage rates ranged from \$29.50/day to \$105.00/day. The combined underpayment on these six claims was \$1386.76.
- b) The Company does not maintain claims reporting operations 24/7. In one (1) instance of a loss occurring on a Saturday, the insured promptly reported the claim the following official workday (Monday) and fully cooperated with the Company for the prompt release of the vehicle. The Company acknowledges its nine-day delay in appraising vehicle damage. However, the Company only considered 10 out of the 18 days of actual storage charges and reduced the insured's first-party claim settlement by \$380.00.
- c) In one (1) instance, storage charges of \$396.00 were incurred for 12 days. The Company had an eight-day delay to appraise and prepare a repair estimate. The Company paid three days of storage charges for a total of \$75.00 leaving an unpaid storage amount of \$321.00.
- d) In one (1) instance involving a 30-day police hold, the Company only paid for 6 days of storage. The Company's Special Investigations Unit (SIU) staff was involved in the claim investigation and the insured was cleared of involvement of the "hit and run" investigation by law enforcement. The Company received actual charges of \$1,188.00 and only paid \$150.00 leaving an unpaid balance of \$1,038.00 on this claim.
- e) In one (1) instance, notice of claim was promptly made on 3/27/13; however the Company delayed its total loss determination and moved the vehicle to a salvage auction on 5/6/13. The Company paid \$250.00 out of the actual storage invoice of \$700.00 thereby reducing the total loss settlement to the insured by \$450.00.
- f) In one (1) instance, the loss was reported within 24 hours of the loss. The Company's internal errors in identifying the correct policy resulted in a delay in claims handling. The Company paid \$510.00 out of the actual charges of \$675.00 thereby reducing the total loss settlement to the insured by \$165.00.
- g) In one (1) instance, a loss which occurred on 7/24/13 at 6:00pm was

immediately reported within 24 hours to the Company the following day on 7/25/13. The Company considered it "late reporting" and deducted one day of storage. The Company also failed to pay the actual daily storage rate. As a result, the actual invoice of \$280.00 was only paid \$150.00 thereby reducing the total loss settlement to the insured by \$130.00.

- h) In one (1) instance, the Company's appraisal and total loss determination took 10 days. The actual storage charge which was reasonably incurred for 11 days was for \$550.00. The Company paid \$250.00 thereby reducing the total loss settlement to the insured by \$300.00.
- i) In one (1) instance involving a necessary teardown of the insured vehicle, it took the Company 10 days to inspect and determine the vehicle to be a total loss. As a result, storage charges were reasonably incurred for 14 days. The Company paid 10 of the 14 days and further reduced the daily storage rate. As a result, the actual invoice of \$780.00 was only paid \$245.00 thereby reducing the total loss settlement to the insured by \$535.00.
- j) In one (1) instance, the Insured incurred one day storage at a police towing facility after a collision loss. The actual invoice of \$29.50 was only paid at \$25.00 thereby reducing the total loss settlement to the insured by \$4.50.
- k) In one (1) instance, the actual invoice of seven days for storage was \$525.00. The Company considered four days of storage and paid only \$100.00, which was at a rate less than the daily incurred rate. As a result, the total loss settlement to the insured was reduced by \$425.00.

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: The Company states that it believes its practices and policy language are in compliance with the law. Nonetheless, the Company has agreed to submit form filings prior to July 1, 2015 that will remove any dollar limit on storage charges from all of its policy forms, and will instead add language that says the Company will cover reasonable storage charges. The Company will also establish guidelines on determining reasonable storage charges, and will implement these procedures prior to July 1, 2015.

As a result of the examination, the Company also reopened three claims and partially paid additional charges totaling \$850.00.

3. In eleven instances, the Company failed to pay the reasonable towing charges incurred by the claimant. The Company failed to pay the reasonable costs incurred to tow their damaged vehicle to a secure location. In ten instances following a covered accident or collision, the insureds' vehicles were towed from the scene of the accident to auto repair shops or storage facilities. In one instance, an insured's stolen

vehicle has been recovered and the police had it towed to a storage facility/shop. All 11 instances incurred reasonable towing charges totaling \$3,292.75 however the Company only paid \$1,627.00 therefore resulting in underpayments of \$1,665.75. 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: The Company states that it believes its practices and policy language are in compliance with the law. Nonetheless, the Company has agreed to submit form filings prior to July 1, 2015 that will remove any dollar limit on towing charges from all of its policy forms, and will instead add language that says the Company will cover reasonable towing charges. The Company will also establish guidelines on determining reasonable towing charges, and will implement these procedures prior to July 1, 2015.

As a result of the examination, the Company also reopened one claim and paid an additional \$13.00.

4. In eight instances, the Company failed to provide in writing the reasons for the denial of the claim in whole or in part including the factual and legal bases for each reason given. In seven instances, the Company received actual invoices for reasonable storage charges and only partially paid these claims. The Company did not issue written denial notices including the factual and legal bases for non-payment of the contested amounts. In one instance, the Company failed to provide the legal bases for failure to pay in full the out-of-pocket expenses incurred by the insured. The Department alleges these acts are in violation of CCR §2695.7(b)(1) and are unfair practices under CIC §790.03(h)(13).

Summary of the Company's Response: The Company acknowledges the findings. The Company indicates that procedures were not followed by the adjusters and have addressed this issue with pertinent staff. The Company indicates that, a new template was already created during an internal Company self-audit in 2013. This template requires a detailed outline to include the factual and legal bases for storage or towing charges denials. The Company will reinforce the use of this template with its staff for compliance with regulation.

5. In six instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. The Company failed to effectuate equitable settlement of the claims in five medical payment (Medical Payment) claims. The Company received invoices for accident-related medical treatment including chiropractic, x-rays and office evaluations. The Company adjudicated these claims by limiting chiropractic charges to \$1,500.00 resulting in underpayments. In the last instance, the Company failed to consider the appropriate reimbursement amount for loss of use on a comparable vehicle while the insured's vehicle was out for repairs. The Department alleges these acts are in violation of CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the findings and indicates that it believes that a stated limit of \$1,500.00 on chiropractic treatment was not a violation of the statute. However, in order to resolve these issues, the Company has reopened the pertinent claims and issued additional payments of \$1,490.00 for the medical payment claims and \$252.89 for loss of use reimbursement.

In addition, the Company has completed a self-survey of Medical Payment claims for unpaid chiropractic services that were not paid from the period January 1, 2012 through April 9, 2014. The Company provided the survey results to the Department. Out of 381 claims reviewed, the Company issued additional reimbursements on 63 claims totaling \$63,672.42.

As a result of the examination, the Company has removed the provision on both its Gold and Millennium policy forms capping its chiropractic reimbursement amount on its Medical Payment coverage. The Company has also completed claim staff training in April 2014 to emphasize that its Medical Payment coverage will not have any conditional limits applied on any of the eligible medical services.

The Company has agreed to pay reasonable loss of use (the cost to rent a comparable vehicle) if the insured had incurred no expenses for alternate transportation. If the insured incurred expenses for alternate transportation, the cost of that alternate transportation shall be considered reasonable loss of use. The Company issued instructions reflecting the above requirement to its claims staff on August 4, 2014 in response to the Department's request.

6. In five instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. The Company adjudicated and instituted a general policy and practice to limit benefits under its Medical Payment coverage by including a sublimit of \$1,500 to chiropractic care or services. In four instances, the Company did not pay the full reimbursement of medical invoices when it applied these sub-limits. In one instance, the Company failed to promptly set up a Medical Payment reserve as required by its Company guidelines. The Department alleges these acts are in violation of CIC §790.03(h)(3).

Summary of the Company's Response: The Company has agreed to remove the \$1,500.00 cap on auto medical payments for all claims with a date of loss of January 1, 2014 or later. The Company indicates it will complete regulatory training on this matter by the end of April 2014. The Company has indicated it has procedures in place to timely reserve auto medical payment claims. The Company will reinforce its reserve procedures on medical payment coverage.

7. In five 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. In two Uninsured Motorist claims (UMBI) and three medical payment (MedPay) claims, the

Company failed to submit claim information with a 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 indicates it has a procedure in place to index all known injury claims. The Company indicates these were isolated instances of non-compliance and the adjusters involved have been counseled for compliance reinforcement.

8. In four instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident. In these instances, the Company failed to send the determination of fault notices to the insured/insured drivers. 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 and indicates that these were isolated instances. As a result of the examination, the Company has transmitted the pertinent notices as required by regulation. The Company has also reiterated the need for regulatory compliance when it conducted training on February 11, 2014.

9. In four instances, the Company failed to replace the child passenger restraint system that was in use by a child during the accident. In these four (4) instances, young children in car seats were in the vehicle at the time of the collision claim. The Company failed to reimburse for the replacement cost of the child safety seats. The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges these findings and indicates that these were isolated instances. The Company states that it has a procedure in place for reimbursement of car seats. As a result of the examination, the Company reopened the claims and issued additional payments for \$280.00. The Company emphasized the need to comply with this statute in trainings completed in December 2013 and May 2014.

10. In three instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days. In these instances, the Company failed to provide a written notice of the need for additional time. 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 and indicates that these were isolated instances. As a result of the examination, the Company conducted claims training on March 19, 2014 and emphasized compliance to this regulation. The Company indicates that it is also in the process of developing automated 30-day status letters regarding the need for additional

time when appropriate to complete its investigation.

11. In three instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Company had knowledge of potentially viable claims against the policy under its Uninsured Motorist Coverage in two instances, and under the Medical Payments coverage in one claim. The Company failed to inform the insureds that this coverage was available should they wish to utilize it. 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 instances and maintains these were isolated instances of non-compliance. The Company indicates it has procedures in place to provide full disclosure of coverage to claimants. The Company has reiterated this compliance issue to the adjusters involved on these claims for reinforcement.

12. In three instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. The Company failed to accept or deny these claims within regulatory timelines. The Department alleges these acts are in violation of CCR §2695.7(b) and are unfair practices under CIC §790.03(h)(4).

Summary of the Company's Response: The Company acknowledges these findings and indicates that these were isolated errors as it is the standard procedure of the Company to accept or deny claims within 40 calendar days. As a result of the examination, the Company has addressed these issues with pertinent staff for compliance reinforcement. The Company also reopened a claim with medical invoices and issued payment of \$5,000.00 under its Medical Payment coverage.

13. In three instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In two of these instances the Company failed to investigate the identity of a third party driver in order to complete their investigation of an Uninsured Motorist Property damage claim. The claim files contained relevant information on a police report and license plate numbers which the Company failed to diligently investigate in these two instances. In the last instance, the Company failed to consider and provide the insured's benefits under first-party Medical Payment Coverage when it had knowledge of a bodily injury settlement with the adverse carrier. 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 the findings and has addressed the issue with pertinent staff. The Company indicates it has reinforced the need to actively pursue evidence of insurance on possible uninsured motorist claims during its claims training on May 16, 2014.

14. 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 acknowledges the findings and indicates these were isolated incidents. The Company has addressed this issue with pertinent staff and has provided claims training to reinforce the procedures with its total loss department in March 2014.

15. In two instances, the Company persisted in seeking information not reasonably required for or material to the resolution of a claims dispute. In these instances the Company continued to request an affidavit of no health insurance on a medical payments claim. The claim file already contained the completed affidavit in both instances. 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 and indicates these were isolated instances of non-compliance. The Company has addressed this matter with pertinent staff for compliance reinforcement.

16. In two instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days. Upon notice of medical payment claims, the Company failed to provide claim forms within regulatory timelines. 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 the findings and indicates these were isolated instances of non-compliance to its internal procedures. The adjusters involved have been counseled for compliance reinforcement.

17. In two instances, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges these acts are in violation of CCR §2695.7(b)(3) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and indicates these were isolated instances of non-compliance to its internal procedures. The adjusters involved have been counseled for compliance reinforcement. .

18. In two instances, the Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts. The Department alleges this act is in violation of CCR §2695.8(g)(3) and an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and indicates these were isolated instances of non-compliance to its internal procedures. The adjusters involved have been counseled for compliance reinforcement.

19. In two instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. In the first instance, the Company failed to pay sales tax on its car rental reimbursement. In the second instance, the appraiser prepared a partial collision damage estimate using a labor rate which was lower than actual labor rate that is accepted by a repair shop. The appraiser's notes indicate it did will make a supplement to adjust for any labor rates. 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 the findings and has addressed these issues with pertinent staff. The Company reopened and issued \$21.58 for sales taxes on the car rental reimbursement. With regard to the labor rate applied, the Company has now revised its initial labor rates to upgrade to higher labor rates as surveyed in certain geographic areas effective February 2014.

20. In one instance, the Company failed to notify the Department of Motor Vehicles that the owner of a total loss non-repairable vehicle retained possession of the vehicle. The Department alleges this act is in violation of CVC §11515.2(b) and an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and indicates this was an isolated instance. The Company has addressed the issue with pertinent staff to emphasize compliance with its notification procedures to the Department of Motor Vehicles (DMV) when a claimant retains ownership of a salvage vehicle.

21. In one instance, the Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515.2(b). The Department alleges this act is in violation of CVC §11515.2(b) and an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and indicates this was an isolated instance of non-compliance with its internal policy. The Company has addressed this issue with pertinent staff to emphasize compliance with its procedure to notify the vehicle owner of his/her responsibilities when retaining ownership of salvage vehicle.

22. In one instance, the Company failed to settle claims promptly, where liability had become apparent, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage. The Company failed to promptly settle the first party coverage under Medical Payment coverage as it awaited the settlement and release under the Uninsured Motorist Bodily Injury (UMBI) portion of the claim. The Department alleges this act is in violation of CIC §790.03(h)(12).

Summary of the Company's Response: The Company acknowledges the finding and indicates this was an isolated instance of non-compliance with its internal procedures. The Company indicates it does not withhold settlement of the Medical Payment portion when there is a concurrent claim under its Uninsured Motorist Bodily Injury (UMBI) coverage. The matter has been addressed with pertinent staff for reinforcement of Company procedures.

23. In one instances, the Company failed to report an automobile theft and salvage total loss to the National Automobile Theft Bureau. The Department alleges this act is in violation of CIC §1874.6 and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and indicates this was an isolated instance of non-compliance with its internal policy. The Company has addressed this issue with pertinent staff to emphasize compliance with this statute.

24. The Company failed to comply with the Fair Claims Regulations Practices. In a single instance each (for a total of five instances), the Company failed to comply with the following Fair Claims Regulation Practices: a) CCR §2695.8(f) for failure to supply the claimant with a copy of the estimate upon which the settlement was based; b) CCR §2695.7(f) for failure to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim; c) CCR §2695.5(b) for failure to respond to communications within 15 calendar days; and d) CCR§2695.8(g)(3) required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as the original, and CCR §2695.3(b)(1) failure to maintain claims data that are accessible, legible and retrievable for examination. The Department alleges these acts are in violation of Fair Claims Regulation Practices and are unfair practices under CIC §790.03(h)(2) and CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings and has addressed them with pertinent claims staff for compliance reinforcement. The Company indicates these were isolated instances as it has internal procedures to comply with Fair Claims Regulation Practices. The Company has held multiple training with its claims staff to discuss the Department's findings and reiterate Company procedures.