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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

GREAT DIVIDE INSURANCE COMPANY
NAIC # 25224 CDI # 3604-6

AS OF APRIL 30, 2014

ADOPTED MAY 31, 2017

STATE OF CALIFORNIA



CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD CLAIMS BUREAU

NOTICE

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



TABLE OF CONTENTS

FOREWORD..... 1

SCOPE OF THE EXAMINATION 2

EXECUTIVE SUMMARY 4

DETAILS OF THE CURRENT EXAMINATION 5

TABLE OF TOTAL ALLEGED VIOLATIONS 6

SUMMARY OF EXAMINATION RESULTS 11

FOREWORD

This 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.

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).

SCOPE OF THE EXAMINATION

Under the authority granted in Part 2, Chapter 1, Article 4, Sections 730, 733, and 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 claim handling practices and procedures in California of:

**Great Divide Insurance Company
NAIC # 25224**

Group NAIC # 0098

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

This examination covered the claim handling practices of the aforementioned Company on Commercial Automobile and Workers' Compensation claims closed during the period from May 1, 2013 through April 30, 2014, and on Workers' Compensation claims open as of April 30, 2014. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

To accomplish the foregoing, the examination included:

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



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

3. A review of the California Department of Insurance's (CDI) market analysis results; and if any, a review of consumer complaints and inquiries about this Company closed by the CDI during the period May 1, 2013 through April 30, 2014, a review of previous CDI market conduct claims examination reports on this Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claim files was conducted at the offices of the Department of Insurance in Sacramento, California.



EXECUTIVE SUMMARY

The Commercial Automobile and Workers' Compensation claims reviewed were closed from May 1, 2013 through April 30, 2014, referred to as the "review period". Workers Compensation claims open as of April 30, 2014 were also reviewed. The examiners randomly selected 159 GDIC claim files for examination. The examiners cited 123 alleged claims handling violations of the California Insurance Code and the California Code of Regulations from this sample file review.

Findings of this examination included the failure to adopt and implement reasonable standards for the prompt investigation and processing of claims; the failure to conduct business in the Company's own name; the failure to ask if a child passenger restraint system was in use by a child during an accident or in the vehicle at the time of the loss; and the failure to include in the settlement all applicable license fees, other annual fees and one-time transfer fees in total loss settlements.

DETAILS OF THE CURRENT EXAMINATION

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

GDIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Commercial Automobile / Physical Damage Collision and Comprehensive	83	37	11
Commercial Automobile / Liability	238	50	63
Commercial Automobile / Uninsured Motorist Property Damage	2	2	0
Workers' Compensation / Indemnity	68	20	14
Workers' Compensation / Medical Only	654	20	23
Workers' Compensation / Denied	98	10	0
Workers' Compensation / Open	232	20	12
TOTALS	1374	159	123

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	GDIC Number of Alleged Violations
CIC §790.03(h)(3)	The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.	45
CIC §880 *[CIC §790.03(h)(3)]	The Company failed to conduct its business in its own name.	17
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.	16
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.	4
	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.	4
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.	4
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	4
CCR §2695.4(a) *[CIC §790.03(h)(3)]	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	3
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.	3
CCR §2695.5(e)(3) *[CIC §790.03(h)(3)]	The Company failed to begin any necessary investigation of the claim within 15 calendar days.	3
CIC §790.03(h)(2)	The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.	3
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	2



Citation	Description of Allegation	GDIC Number of Alleged Violations
CCR §2695.7(b)(1) *[CIC §790.03(h)(3)]	The Company failed to deny, dispute or reject a third party claim, in whole or in part, in writing.	2
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	The Company failed to include a statement in its claim denial that, if the claimant believes all or part of the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	2
CCR §2695.7(f) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim.	2
CCR §2695.8(f) *[CIC §790.03(h)(3)]	The Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.	2
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	1
CIC §1871.3(a) *[CIC §790.03(h)(3)]	The Company failed to secure a theft affidavit from the insured.	1
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.	1
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.	1
CCR §2695.7(q) *[CIC §790.03(h)(5)]	The Company failed to share subrogation recoveries on a proportionate basis with the first party claimant.	1
CCR §2695.8(g)(1) *[CIC §790.03(h)(5)]	The Company required the use of non-original equipment manufacturer replacement crash parts that were not equal to the original equipment manufacturer parts in terms of kind, quality, safety, fitness and performance.	1
CCR §2695.8(g)(3) *[CIC §790.03(h)(3)]	The Company required the use of non-original equipment manufacturer replacement crash parts and failed to disclose in writing, in any estimate prepared by or for the insurer, the fact that it warrants such parts are at least equal to the original equipment manufacturer parts in terms of kind, quality, safety, fit, and performance.	1
Total Number of Alleged Violations		123



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

- CIC §790.03(h)(2) The Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

- CIC §790.03(h)(3) The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.

- CIC §790.03(h)(5) The Company failed to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear.



TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

COMMERCIAL AUTOMOBILE 2014 Written Premium: \$33,732,255	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$6850.91	
CIC §880 [CIC §790.03(h)(3)]	17
CIC §11580.011(e) [CIC §790.03(h)(3)]	16
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	8
CIC §1876 [CIC §790.03(h)(3)]	4
CCR §2695.7(d) [CIC §790.03(h)(3)]	4
CCR §2695.4(a) [CIC §790.03(h)(3)]	3
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	3
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	3
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	2
CCR §2695.7(b)(1) [CIC §790.03(h)(3)]	2
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	2
CCR §2695.7(f) [CIC §790.03(h)(3)]	2
CCR §2695.8(f) [CIC §790.03(h)(3)]	2
CIC §1871.3(a) [CIC §790.03(h)(3)]	1
CCR §2695.3(b)(2) [CIC §790.03(h)(3)]	1
CCR §2695.7(b) [CIC §790.03(h)(3)]	1
CCR §2695.7(q) [CIC §790.03(h)(3)]	1
CCR §2695.8(g)(1) [CIC §790.03(h)(3)]	1
CCR §2695.8(g)(3) [CIC §790.03(h)(3)]	1
SUBTOTAL	74



WORKERS' COMPENSATION 2014 Written Premium: \$4,291,990	NUMBER OF ALLEGED VIOLATIONS
AMOUNT OF RECOVERIES \$5.15	
CIC §790.03(h)(3)	45
CIC §790.03(h)(2)	3
CIC §790.03(h)(5)	1
SUBTOTAL	49

TOTAL	123
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SUMMARY OF EXAMINATION RESULTS

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

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

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company should address corrective action for other jurisdictions when applicable.

Money recovered within the scope of this report was \$6,856.06 as described in section numbers 3, 16, 17 and 22 below. Following the findings of the examination, a closed claims survey as described in section three below was conducted by the Company resulting in additional payments of \$925.66. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$7,781.72.

COMMERCIAL AUTOMOBILE

1. **In 17 instances, the Company failed to conduct its business in its own name.** The Department alleges these acts are in violation of CIC §880 and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company does acknowledge that its contracted claims administrator, and its independent adjusters failed to include the insurance Company's name on the acknowledgement letters. To correct the error and ensure compliance, the Company instructed its contracted claims administrator and its independent adjusters to amend claim handling procedures to include the name of the Company on all correspondence. In addition, on November 24, 2014, the contracted claims administrator issued a memo to claim handlers for compliance reinforcement.



2. In 16 instances, the Company failed to ask if a child passenger restraint system was in use by a child during an accident or was in the vehicle at the time of a loss that was covered by the policy. The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees and states that the claim examiners were instructed to ask whether a child passenger restraint system (CPRS) was in use at the time of the accident or was in the vehicle at the time of the accident. As a result of the this examination, the Company re-contacted claimants to determine if a child passenger restraint system was in the vehicle at the time of the loss. As of the writing of this report, claimants either responded stating a CPRS was not in the vehicle at the time of loss or claimants did not respond at all. Further, on January 12, 2015, the Company issued a claims memo to staff to reinforce the requirements of this statute. Additionally, subsequent meetings were held on a recurring basis for compliance reinforcement.

3. In eight instances, the Company failed to comply with the requirements of CCR §2695.8(b)(1).

3(a). 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 re-opened these four claims and issued payments to the insureds totaling \$379.03. Further, on January 12, 2015, the Company issued a claims memo to its adjusters regarding this regulatory requirement. Additionally, the Company held follow-up meetings with staff for compliance reinforcement.

3(b). In four 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 agrees that transfer fees were not included in the total loss settlements. The Company re-opened the claims and issued payments totaling \$68.00. Further, on January 12, 2015, the Company issued a claims memo to its staff regarding this regulatory requirement. The Company also held follow-up meetings with staff for compliance reinforcement.

As a result of these findings, Great Divide conducted an internal audit review to identify improper or inaccurate payments of all applicable license fees, other annual fees and one-time transfer fees on total loss settlements. The audit reviewed claims that were closed from May 19, 2013 through May 19, 2016. The results provided to the



Department on August 1, 2016, identified 24 claims in which vehicle license fees and transfer fees were not paid appropriately. The Company issued additional payments to claimants totaling \$925.66.

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

Summary of the Company's Response: The Company agrees and states these claims were handled by the contracted claims administrator. The Company instructed the administrator to amend its procedures and train its adjusters, as necessary, to ensure that all automobile liability bodily injury, medical payment or uninsured motorist claims are reported to the claims analysis bureau within 20 days of receipt of the claim. On January 12, 2015, the Company issued a claims memo to its adjusters, regarding this statutory requirement. Additionally, subsequent meetings were held with staff for compliance reinforcement.

5. In four instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. The Company failed to investigate damages and injuries on third party claims to determine its liability. 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 agrees with the findings in three instances. The Company re-opened two claims and made follow-up contact with the claimants. In the third instance, the Company states this was an inadvertent oversight by the claims adjuster. The Company paid the third party claim in the subrogation demand for settlement. The claims adjuster received individual counseling with regard to this oversight.

In the fourth instance, the Company disagrees and states the case involved minor damage to a front bumper (damage caused by the insured driver backing up only inches into the other vehicle). The other driver stated that neither he nor his passenger was injured. Based on these facts, it is the Company's position that it would not have been reasonable for the Company to do any further investigation.

Nonetheless, to address the Department's concerns, the Company issued a claims memo on January 12, 2015 to reinforce the requirements of this regulation. Additionally, the Company addressed this matter with the entire claims staff at the annual seminar and training review of the California Fair Claims Settlement Practices Regulations on August 21, 2015.



6. **In three instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** In two instances, claim files failed to reflect that the Company discussed coverage with the insureds. In one instance, 51 days passed before the claim examiner disclosed coverages under a commercial truck policy. The Department alleges these acts are in violation of CCR §2695.4(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges these findings. On January 12, 2015, the Company issued a claims memo reminding staff to retain documentation in the file showing that disclosure of all benefits, coverages, limits, deductibles and time limits was given to the insured as applicable to the claim.

7. **In three 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 agrees with these findings in all instances. On January 12, 2015, the Company issued a claims memo to all staff to reinforce the requirement of this regulation. The Company also addressed this matter with the entire claims staff at the annual seminar and training review of the California Fair Claims Settlement Practices Regulations on August 21, 2015.

8. **In two 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 agrees it failed to acknowledge notice of these claims within 15 calendar days. Claim handlers were reminded of this regulatory requirement during the annual seminar and training of the California Fair Claims Settlement Practices Regulations on August 21, 2015.

9. **In two instances, the Company failed to begin any necessary 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 agrees with these findings and states it is the Company's practice to investigate all claims within 15 days of notice. As a remedial measure, the Company provided individual coaching to the claims adjuster on December 15, 2014. Additionally, all claims handlers were reminded of this regulatory requirement during the annual seminar and training of the California Fair Claims Settlement Practices Regulations on August 21, 2015.



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

Summary of the Company's Response: The Company agrees and states that denial letters were not sent in these instances. On January 15, 2015, the Company issued a memo to remind the claim examiners that all denials, including partial denials, must be confirmed in writing with the appropriate explanation.

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

Summary of the Company's Response: The Company agrees and states that a claim memo was distributed to the claims examiners on January 12, 2015, regarding this regulatory requirement. Additionally, several subsequent meetings were held with claims staff for compliance reinforcement.

12. **In two instances, the Company failed to provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim.** The Department alleges these acts are in violation of CCR §2695.7(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with these findings. Claims adjusters were reminded of this regulatory requirement. Unless a claim is settled by payment, the examiners must provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. The notice must be given within 60 days prior to the expiration date. Additionally, if notice of claim is received within 60 days of the expiration of the statute of limitation, then notice must be given immediately. As a result, their contracted claims administrator has amended its generic denial letter to include this information. A claim memo was distributed to the claims examiners on January 12, 2015, regarding this regulatory requirement. The Company also addressed this matter with the entire claims staff at the annual seminar and training review of the California Fair Claims Settlement Practices Regulations on August 21, 2015.

13. **In two instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.** In both instances, the third party claimant was not provided with a copy of the written estimate or the supplemental estimate. 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: In the first instance, the Company agrees and states that the amount was disclosed by telephone to the claimant. In the second instance, as requested by the third party claimant, a copy of the written estimate was faxed to the third party claimant's shop of choice. To correct this oversight, the Company mailed the estimates to the claimant on March 3, 2016.

14. In one instance, the Company failed to secure a theft affidavit from the insured. The Department alleges this act is in violation of CIC §1871.3(a) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with this finding and began using the theft affidavit form on November 26, 2014.

15. In one instance, the Company failed to record the date the Company received, processed, transmitted or mailed every relevant document pertaining to the claim. The Department alleges this act is in violation of CCR §2695.3(b)(2) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with this finding. The claims handler copied attachments into the file but did not include the cover email showing a receipt date. The Company instructed the handlers to include all such cover email and fax acknowledgements into the file. All hard copy documents received by regular mail are now date stamped upon receipt prior to scanning. A claims memo dated January 12, 2015, was distributed to claim handlers reminding them of this requirement.

16. In one instance, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days. The Department alleges this act is in violation of CCR §2695.7(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 inadvertently closed the claim without final adjudication. As a result of the examination, the Company completed the estimate and issued a check, in the amount of \$1,403.88, to the vehicle owner. Further, on January 12, 2015, the Company issued a claims memo to its adjusters regarding this regulatory requirement. Additionally, subsequent meetings were held with staff for compliance reinforcement.

17. In one instance, the Company failed to share subrogation recoveries on a proportionate basis with the first party claimant. The Department alleges this act is in violation of CCR §2695.7(q) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges that the insured was not reimbursed the \$5,000.00 deductible when it received the subrogation recovery. As a result of the examination, the Company immediately mailed the check to the insured on November 15, 2014.



18. **In one instance, the Company required the use of non-original equipment manufacturer replacement crash parts that were not equal to the original equipment manufacturer parts in terms of kind, quality, safety, fitness and performance.** The Department alleges this act is in violation of CCR §2695.8(g)(1) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees with this finding. The Company affirmed its procedures is to warrant the part used is of like, kind, quality, safety, fitness, and performance as an original manufactured part. The Company created a template letter to use when non-original replacement parts are to be used. On April 4, 2016, the Company distributed a memo to claims handlers to begin immediate use of the template letter.

19. **In one instance, 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 is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges this finding. To ensure compliance, on March 30, 2016, the Company distributed a memo reminding claims staff that appraisals with non-original parts must include a letter to the claimant warranting those parts.

WORKERS' COMPENSATION

20. **In 45 instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.**

20(a). In 41 instances, the Company failed to send the mileage reimbursement notice, as required by Labor Code (LC) §4600(e)(2).

20(b). In two instances, the Company failed to send a letter to the employee notifying that temporary disability payments were ending as required by Title 8CCR §9812(d).

20(c). In one instance, the Company failed to have a written procedure for undeliverable mail.

20(d). In one instance, the Company failed to send multiple notices advising of a delay within 14 days from date of knowledge, as required by Title 8CCR §9812(a)(2).



The Department alleges these acts are in violation of CIC §790.03(h)(3).

Summary of the Company's Response:

20(a). The Company agrees the acknowledgement packet did not include the mileage reimbursement notice. In January 2014, the Company incorporated the mileage reimbursement notice into the claims acknowledgement packet. As a result of the examination, and as a remedial measure, the Company mailed mileage reimbursement letters to all identified claimants in these instances. The Company has not received any responses to these letters.

20(b). The Company acknowledges the required notice regarding temporary disability benefits was not sent. Beginning January 2014, notice letters, along with numerous other California workers' compensation letters, were programmed into the claim system for easy generation for specific claims.

20(c). The Company acknowledges its file notes did not document the returned mail. The current procedure requires documenting the file notes regarding returned mail. The Company contacted the employer to confirm the employee's address for proper notification and to resend the undelivered mail. On April 22, 2015, the Company sent an email reminder to claim examiners of the procedure regarding returned mail.

20(d). In an effort to ensure compliance with all California rules and regulations regarding workers' compensation claims, the Company has dedicated two California based adjusters and a supervisor to adjust all California claims and has asked California workers' compensation defense counsel to come to the office to provide regular continuing education on California law. In 2014, California counsel came to the office for training on Senate Bill 863 Final Regulations, and in 2015, the same firm came to the office to discuss the latest law regarding Medical Provider Networks, Apportionment and the QME/AME process among other topics.

21. In three instances, the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies. The Company failed to send the employee the Temporary Disability Indemnity letter; failed to send Notice of First Temporary Disability Indemnity Payment by the 14th day after the employer's date of knowledge of injury and disability; and failed to state in the temporary disability letter how the payment was calculated.

The Department alleges these acts are in violation of Title 8 CCR §9812 and are unfair practices under CIC §790.03(h)(2).

Summary of the Company's Response: In two instances, the Company acknowledges notices were not sent as required by the regulation. Beginning January 2014, these notice letters, along with numerous other California workers' compensation letters, were programmed into the claim system for easy generation for specific claims.



In the third instance, the Company acknowledges the benefit calculation was not included in the letter. To ensure compliance, the Company has dedicated two adjusters and a supervisor to adjust all California claims and has asked California Worker's Compensation defense counsel to provide regular continuing education on California law. In 2014 and 2015, the Company provided training on the latest laws and provided an updated flowchart with training on use of the flowchart.

22. The Company failed to effectuate prompt and equitable settlements of claims in which liability had become reasonably clear. In this instance, the bill allowance was for \$88.81 and the Company paid \$88.71. The Department alleges this act is in violation of LC §4603.2 and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees and issued an additional payment of \$5.15 that included self-imposed penalty and interest to the medical provider on April 13, 2016.