

**[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**

**LOYA CASUALTY INSURANCE COMPANY
NAIC # 12589 CDI # 4961-9**

AS OF DECEMBER 31, 2014

ADOPTED MARCH 25, 2016

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



March 25, 2016

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:

Loya Casualty Insurance Company
NAIC # 12589

Group NAIC # 4961-1

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

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

FOREWORD

The examination covered the claims handling practices of the aforementioned Company on private passenger automobile claims closed during the period from January 1, 2014 through December 31, 2014. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer’s proposals for correcting the deficiencies. When a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery in this report. While this report contains violations of law that were cited in this report by 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 January 1, 2014 through December 31, 2014; a review of previous CDI market conduct claims examination reports on this Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claims files was conducted at the offices of the Company in El Paso, Texas.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The private passenger automobile claims reviewed were closed from January 1, 2014 through December 31, 2014, referred to as the “review period”. The examiners randomly selected 260 LCIC claim files for examination. The examiners cited 174 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination include a failure to explain in writing the determination of the cost of a comparable vehicle, the itemization of the cost of a comparable vehicle, and the verification that the comparable vehicle was accurate and representative of the market value in the local market area; a failure to properly advise the insured of the method to make a request for reconsideration of fault; a failure to provide the reasons for the denial of a claim in writing; a failure to maintain all documents, notes and work papers in a claim file; a failure to supply a copy of the estimate; and making unreasonably low settlement offers.

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

Except as noted below, market analysis did not identify any specific issues of concern.

The Company was the subject of 114 California consumer complaints and inquiries closed from January 1, 2014 through December 31, 2014 in regard to the line of business reviewed in this examination. Of the complaints and inquiries, the CDI determined ten complaints were justified for failure provide a complete response to claimant inquiries within 15 calendar days.; failure to accept/deny or provide written delay notice within 40 calendar days of proof of claim; failure to deny claims in writing; failure to provide notice in writing every 30 days of the need for additional time to investigate; failure to pay within 30 days of accepting a claim; and failure to adopt and implement standards for the prompt investigation and processing of claims. The examiners focused on these issues during the course of the file review.

The previous claims examination reviewed a period from May 1, 2009 through April 30, 2010. The most significant noncompliance issues identified in the previous examination report were the Company's failure to conduct a thorough, fair and objective investigation; failure to supply a copy of the estimate; failure to explain in writing the determination of the cost of a comparable vehicle; failure to investigate if a child passenger restraint system was in use; failure to advise an insured that the insured driver was at fault; failure to fully itemize a total loss offer in writing; failure to disclose all benefits, coverage, time limits, or other policy provisions; failure to reference the California Department of Insurance in denial letters; and making unreasonably low settlement offers. Some of these issues continued to be problematic in the current examination. The most significant recurring issues are the Company's failure to supply a copy of the estimate; failure to explain in writing the determination of the cost of a comparable vehicle; failure to fully itemize a total loss offer in writing; and making unreasonably low settlement offers.

DETAILS OF THE CURRENT EXAMINATION

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

LCIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED CITATIONS
Private Passenger Auto / Collision	6,893	55	49
Private Passenger Auto / Comprehensive	1,779	15	14
Private Passenger Auto / Property Damage	27,101	53	45
Private Passenger Auto / Bodily Injury	8,700	17	7
Private Passenger Auto / Uninsured Motorist Bodily Injury	419	27	2
Private Passenger Auto / Uninsured Motorist Property Damage	265	43	51
Private Passenger Auto / Medical Payments	1,344	25	4
Private Passenger Auto / Coverage Denials	3,790	25	2
TOTALS	50,291	260	174

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	LCIC Number of Alleged Violations
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Determination of the actual cash value (ACV) was not explained.	30
	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.	15
	The Company failed to take reasonable steps to verify that the determination of the cost of a comparable vehicle was accurate and representative of the market value in the local market area.	1
CCR §2632.13(e)(2) *[CIC §790.03(h)(3)]	The Company failed to properly advise the insured of the method in which a request for reconsideration of fault can be made.	26
CCR §2695.7(b)(1) *[CIC §790.03(h)(13)]	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.	15
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).	11
	The Company failed to notify the Department of Motor Vehicles of a total loss settlement on a non-repairable vehicle within 10 days after receiving title.	4
CCR §2695.3(a) *[CIC §790.03(h)(3)]	The Company failed to maintain all documents, notes and work papers which reasonably pertain to each claim in such detail that pertinent events and the dates of the events can be reconstructed.	12
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.	12
CCR §2695.8(c) *[CIC §790.03(h)(3)]	The Company failed to notify the insured that the file will be reopened if the Company is notified within 35 days that the insured cannot purchase a comparable automobile for the settlement amount offered or paid.	12
CCR §2695.8(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.	12

Citation	Description of Allegation	LCIC Number of Alleged Violations
CCR §2695.8(b)(1)(A) *[CIC §790.03(h)(3)]	<p>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.</p> <p>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.</p>	4 1
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 §2695.7(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.	3
CIC §1871.3(b) *[CIC §790.03(h)(3)]	The Company failed to properly instruct the insured regarding the signing of the theft affidavit.	2
CIC §1876 *[CIC §790.03(h)(3)]	The Company failed, within 20 days of receipt of a bodily injury, medical payment or uninsured motorist bodily injury claim, to deposit the claims information with a licensed insurance claims analysis bureau.	2
CCR §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.	2
CCR §2695.8(k) *[CIC §790.03(h)(5)]	<p>The Company failed to pay the reasonable towing charges incurred by the claimant.</p> <p>The Company failed to pay the reasonable storage charges incurred by the claimant.</p>	1 1
CIC §1871.3(a)(1) *[CIC §790.03(h)(3)]	The Company failed to include the penalty of perjury warning on its theft affidavit.	1
CCR §2695.7(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.	1
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.	1
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.	1
Total Number of Alleged Violations		174

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

- 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 2013 Written Premium: \$116,679,712 AMOUNT OF RECOVERIES: \$7,561.39</p>	<p align="center">NUMBER OF ALLEGED VIOLATIONS</p>
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	46
CCR §2632.13(e)(2) [CIC §790.03(h)(3)]	26
CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	15
CVC §11515(b) [CIC §790.03(h)(3)]	15
CCR §2695.3(a) [CIC §790.03(h)(3)]	12
CCR §2695.7(g) [CIC §790.03(h)(5)]	12
CCR §2695.8(c) [CIC §790.03(h)(3)]	12
CCR §2695.8(f) [CIC §790.03(h)(3)]	12
CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]	5
CCR §2695.7(d) [CIC §790.03(h)(3)]	4
CCR §2695.7(p) [CIC §790.03(h)(3)]	3
CIC §1871.3(b) [CIC §790.03(h)(3)]	2
CIC §1876 [CIC §790.03(h)(3)]	2
CCR §2632.13(e)(1) [CIC §790.03(h)(3)]	2
CCR §2695.8(k) [CIC §790.03(h)(5)]	2
CIC §1871.3(a)(1) [CIC §790.03(h)(3)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	1
CCR §2695.8(b)(1) [CIC §790.03(h)(5)]	1
TOTAL	174

SUMMARY OF EXAMINATION RESULTS

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

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

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

Money recovered within the scope of this report was \$7,561.39 as described in sections number 6, 10, and 15(a) below.

PRIVATE PASSENGER AUTOMOBILE

1. **In 46 instances, the Company failed to comply with CCR §2695.8(b)(4) as follows:**

1(a). In 30 instances, the Company failed to explain in writing the determination of the cost of a comparable vehicle at the time the settlement offer was made. Determination of the actual cash value (ACV) was not explained. The Company failed to provide the claimant with a copy of the Actual Cash Value (ACV) comparable vehicle reports.

1(b). In 15 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 Company failed to itemize the components of the total loss settlement offer in writing.

1(c). In one instance, the Company failed to take reasonable steps to verify that the determination of the cost of a comparable vehicle was accurate and representative of the market value in the local market area. The Company did not secure comparable vehicles within the local market area. The comparable vehicles included a vehicle which was 341 miles from the total loss vehicle's garaged location.

The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response to 1(a): The Company agrees that its records do not clearly show that the claimants were provided with a copy of the vehicle valuations. As a result of the examination, the Company has added a statement to its standard offer letter advising the claimant that a copy of the vehicle valuation is attached. The Company has conducted training to reinforce the requirements on the determination of the cost of a comparable vehicle, and to specifically document on the file that the vehicle valuation report has been provided to the claimant.

Summary of the Company's Response to 1(b): The Company indicates that these letters are normally included in a package mailed to the claimants. However, the Company agrees it is unable to provide proof or reproduce copies of the total loss settlement offers. As a corrective measure, the Company has conducted claims training to its adjusters on May 13, 2015 and June 4, 2015 emphasizing the importance of this regulation.

Summary of the Company's Response to 1(c): The Company agrees in this instance that it included a vehicle outside of the local market area for comparable vehicles. The Company has addressed the issue with pertinent staff. The Company has

also conducted claims training on May 13, 2015 and June 4, 2015 for regulatory compliance.

2. In 26 instances, 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. The Company sent fault determination letters to the insureds which stated that any request for reconsideration must be in writing. The Department alleges these acts are in violation of CCR §2632.13(e)(2) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and indicates that it was not the intent of the Company to limit the reconsideration methodology to require it to be in writing. As a corrective measure, the Company amended its determination of fault template letter so that it no longer states a request for reconsideration has to be in writing. Additionally, the Company amended its template letter to state, "Within 30 days of receipt of this notice, you may request a reconsideration of our determination that the driver was principally at-fault. If you also have any other information which may affect our determination, please submit it to the undersigned for our review".

3. In 15 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. The Company sent denial letters to insureds stating that their coverage was for liability only and that there was no coverage for damage to their automobile. However, these vehicles were covered for Uninsured Motorist Property Damage (UMPD). The Department alleges these acts are in violation of CCR §2695.7(b)(1) and is unfair practice under CIC §790.03(h)(13).

Summary of the Company's Response: The Company agrees with these findings. The adjusters did not follow proper Company procedures and sent out the incorrect "Reason for Unpaid" template letter. The adjusters should have sent a denial letter that was specific to the circumstances. The Company has conducted additional training for all adjusters on the appropriate use of its template denial letters. For their systems template letters, the Company has disabled the "Reason for Unpaid" Letter on UMPD cases and has added several choice options to the UMPD coverage denial letter.

4. In 15 instances, the Company failed to comply with CCR §11515(b) as follows:

4a). In 11 instances, the Company failed to notify the insured or owner of his or her responsibility to comply with CVC §11515(b). On owner-retained salvage, the Company failed to inform the vehicle owner of their responsibility to notify the Department of Motor Vehicle (DMV) that they had retained possession of a total loss salvage vehicle.

4(b). In four instances, the Company failed to notify the Department of Motor Vehicles that the owner of a total loss salvage vehicle retained possession of the vehicle.

The Department alleges these acts are in violation of CVC §11515(b) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response to 4(a) and 4(b): The Company agrees with the findings. The Company is unable to confirm or produce proof that these notices were transmitted to the insureds and to the DMV. The Company has addressed this issue with pertinent staff for reinforcement. On May 13, 2015 and June 4, 2015 the Company conducted claims training to emphasize compliance.

5. In 12 instances, the Company failed to maintain all documents, notes and work papers which reasonably pertain to each claim in such detail that pertinent events and the dates of the events can be reconstructed. The Company failed to maintain documentation on salvage bids, an offer of settlement letter, an estimate for unrelated prior damage, and documentation on vehicle license fees. The Department alleges these acts are in violation of CCR §2695.3(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the findings and has addressed the issue with pertinent staff for reinforcement. The Company has also conducted training on May 13, 2015 and June 4, 2015 for regulatory compliance.

6. In twelve instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. The Company failed to calculate and/or pay accurately for claims in the following instances:

- a) In six instances, the Company reduced the Actual Cash Value (ACV) of the claimant's total loss vehicle for Unrelated Prior Damage (UPD). The reductions in value were not supported by the condition, functionality or damage to the vehicle that were preexisting prior to the accident.
- b) In three instances, the Company failed to pay medical bills.
- c) In one instance, the Company failed to pay a claim for collision damage.
- d) In one instance, the Company took a \$75.00 condition adjustment to shampoo the carpet on a 20-year old vehicle.
- e) In one instance, the Company did not reimburse an insured's deductible in full.

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 implemented the following:

- a) In six instances, the reductions were either improper and/or not clearly supported. The Company issued additional payments of \$3056.31. In one instance pertaining to Unrelated Prior Damage (UPD), the Company agrees there was no estimate documenting the UPD.

The Company has modified its guidelines to better aid adjusters in their evaluation of UPD, including defining its criteria for UPD. In most situations, the use of an appropriate vehicle condition rating should account for minor pre-existing damage.

- b) In three instances, the Company agrees that the medical bills were not paid. The Company has issued additional payments in the amount of \$2,832.30.
- c) In one instance, the Company issued payment for the collision claim in the amount of \$710.91.
- d) In one instance, the Company agrees that the deduction from settlement for shampooing the carpet was deducted in error. The Company reopened the claim and issued an additional payment of \$75.00 to the claimant.
- e) In one instance the Company agrees that the balance of the insured's deductible was owed and the Company has issued an additional payment to the insured for \$65.00.

The Company has discussed the matter with pertinent staff for reinforcement. The Company has also conducted training on May 13, 2015 and June 4, 2015 for regulatory compliance.

7. In 12 instances, the Company failed to notify the insured that the file will be reopened if a comparable automobile cannot be purchased for the amount offered or paid. The Department alleges these acts are in violation of CCR §2695.8(c) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the findings. It is the Company's business practice to provide notice to the insured at the time of settlement that if notified by the insured within 35 calendar days that he/she cannot purchase a comparable vehicle for the gross settlement amount, the Company will reopen the claim file. However, the Company is unable to confirm or produce proof that these notices were transmitted to the insureds. The Company has discussed the

matter with pertinent staff for reinforcement. The Company has also conducted training on May 13, 2015 and June 4, 2015 for regulatory compliance.

8. In 12 instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based. In ten instances, the Company failed to provide a copy of the supplemental estimates for repair to the claimants. In two instances, the Company failed to provide the claimants with a copy of the estimate for unrelated prior damage (UPD). The Department alleges these acts are in violation of CCR §2695.8(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the findings. The Company is unable to confirm or produce proof that copies of the estimates were provided to the claimants. As a corrective measure, the Company has developed a Supplemental Estimate of Record Letter that will address the supplement estimate. This letter will be provided directly to the claimants with a copy of the estimate attached.

Regarding the two unrelated prior damage estimates, the Company settled the claims as total losses thus the vehicles were not repaired. However, in total loss claims wherein unrelated prior damage is a settlement factor, a copy of the UPD estimate will also be provided to the insureds/claimants.

Additionally, the Company discussed these issues with pertinent staff to reinforce the need to provide supplemental repair estimates. The Company also conducted training on May 13, 2015 and June 4, 2015 to emphasize regulatory compliance.

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

9(a). In four instances, the Company failed to disclose in writing to the claimant that notice of the salvage retention by the claimant must be provided to the Department of Motor Vehicles and that this notice may affect the loss vehicle's future resale and/or insured value.

9(b). 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

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

Summary of the Company's Response to 9(a) and 9(b): The Company acknowledges the findings. The Company indicates it is their practice to inform the claimant of their responsibility to notify the Department of Motor Vehicle (DMV) of their vehicle salvage retention, and that this notice may affect the vehicle's future resale value. In these instances, the Company did not have documentation or proof that these

notices were transmitted to the claimants. The Company has discussed the matter with pertinent staff for reinforcement.

The Company has also conducted training on May 13, 2015 and June 4, 2015 for regulatory compliance.

Summary of the Company's Response to 9(c): The Company agrees with the findings. The Company has a new Service Agreement and bid quote with its vendor which now provides a section entitled "Guaranteed Bid Statement" and specifies its vendor will purchase the vehicle from the owners for the quoted bid amount. The bid statement has been amended to clearly state that it is a "Guaranteed Bid Statement." On a going forward basis, the "Guaranteed Bid Statement" will be included in the claim file and will be provided to the claimant as part of the documentation for the offer.

10. In four instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. In three instances, the Company failed to conduct a timely investigation of the claimant's insurance status in order to rule out or confirm insurance benefits under its Uninsured Motorist (UM) coverage. In the last instance, the Company failed to conduct a timely investigation on a settlement demand. 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 agrees that its investigation could have been handled in a timely manner. The Company agrees to the delayed investigation and to the improper closure of claims. As a result of the examination, the Company reopened the claims for further investigation and issued additional payments in the amount of \$317.37. The Company has discussed the matter with pertinent staff for reinforcement. The Company has also conducted several training sessions on April 16, 2015, May 12-13, 2015, and May 20, 2015 regarding the requirement to conduct a diligent, thorough, fair and objective investigation.

11. In three instances, the Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation. The Department alleges these acts are in violation of CCR §2695.7(p) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the findings. The Company has discussed the matter with pertinent staff for reinforcement. The Company has also conducted additional training to claims staff on May 13, 2015 and June 4, 2015.

12. In two instances, the Company failed to properly instruct the insured regarding the signing of the theft affidavit. On a theft claim, the Company's Theft Affidavit form states, "The original Affidavit of Theft can be either notarized or you may sign it in the presence of any insurance agent, broker, adjuster, or other claims representative who will verify your driver's license number as the person signing the

form.” However, the Company’s follow-up letter to the insured provides conflicting instructions as it states “ We are pending the signed and notarized Affidavit of Theft and the vehicle valuation form”, implying that such affidavit have to be notarized.

The Department alleges these acts are in violation of CIC §1871.3(b) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company’s Response: The Company acknowledges that its follow-up letters failed to provide the options to have the Affidavit of Theft Form either signed and notarized, or signed in the presence of any insurance agent, broker, adjuster, or other claims representative. The Company has now amended its template follow-up letter to include all options available to clarify the requirements of CIC §1871.3(b).

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

Summary of the Company’s Response: The Company agrees with the findings. The adjusters failed to run the Insurance Service Office (ISO) reports on minor passengers in the vehicles. These were isolated oversights. As a result of the examination, the claims information for these claimants has now been deposited with ISO. The Company has discussed the matter with pertinent staff for reinforcement. The Company has also conducted additional training the in the requirements of CIC §1876 to claims staff on May 12, 2015.

14. In two instances, the Company failed to properly advise the insured that the driver of the insured vehicle was principally at-fault for an accident. The Company failed to send the determination of fault notices in writing. The Department alleges these acts are in violation of CCR §2632.13(e)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company’s Response: The Company agrees with the findings. As a result of the examination, the Company reopened the claims and sent the appropriate at-fault letters to the insureds. The Company discussed the matter with pertinent staff for regulatory compliance. The Company has also conducted claims training for reinforcement on May 13, 2015 and June 4, 2015.

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

15(a). In one instance, the Company failed to pay the reasonable towing charges incurred by the claimant. The insured’s vehicle was disabled and had to be towed from the scene of the accident. The tow bill was \$574.50; however, the

Company paid the invoice for only \$70.00. The claim notes reflect that the Company expected the insured to recoup the balance of the tow charge from the claimant carrier.

15(b). In one instance, the Company failed to pay the reasonable storage charges incurred by the claimant. The California Highway Patrol (CHP) placed a hold on an insured's vehicle. On a letter dated June 4, 2014, the Company advised the insured that it will cut off storage charges that same day June 4, 2014.

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 to 15(a): The Company agrees with the finding. The adjuster made an error with respect to the towing charge. As a result of the examination, the Company issued an additional payment of \$504.50. The Company indicates this was an isolated error and the adjuster is no longer with the Company.

Summary of the Company's Response to 15(b): The Company agrees that in this isolated instance, storage fees should have been extended to the insured and all reasonable storage charges should have been paid. In this particular instance, the insured was able to go through the adverse claimant carrier for payment of his claim, including the out-of-pocket storage charges. The Company reviewed this claim with the adjuster for regulatory compliance. The Company has also conducted additional training on May 13, 2015 and June 4, 2015 emphasizing the need to provide adequate notice to an insured before terminating storage coverage.

16. 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 agrees with the finding. The Company acknowledges that its Affidavit of Theft claim form did not include the penalty of perjury warning. The Affidavit of Theft has now been amended to include the warning.

17. 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 agrees with the finding that its claim denial letter did not reference the California Department of Insurance. The Company has discussed this matter with the pertinent staff for regulatory reinforcement.

18. In one instance, the Company failed to provide written notice of the need

for additional time or information every 30 calendar days. The Department alleges this act is in violation of CCR §2695.7(c)(1) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the finding and has discussed the matter with pertinent staff for regulatory compliance.

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

The Company received verification of DMV registration fees paid by the insured which included a Smog Transfer Fee of \$8.00. The Company failed to pay this one-time Smog Transfer Fee. The Department alleges this act is in violation of CCR §2695.8(b)(1) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees that it did not include the smog transfer fee on this claim. The Company indicates that prior to the Department's examination, the Company had corrected this error and had issued a payment for \$8.00 to the claimant on February 15, 2015. The Company will ensure all fees including smog transfer fees are paid on total loss claims.