

**[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**

**RURAL COMMUNITY INSURANCE COMPANY  
NAIC # 39039 CDI # 4361-2**

**AS OF JANUARY 14, 2015**

**ADOPTED OCTOBER 22, 2015**

**STATE OF CALIFORNIA**



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

## NOTICE

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

## TABLE OF CONTENTS

<b>SALUTATION .....</b>	<b>1</b>
<b>FOREWORD.....</b>	<b>2</b>
<b>SCOPE OF THE EXAMINATION.....</b>	<b>3</b>
<b>EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED.....</b>	<b>4</b>
<b>RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS .....</b>	<b>5</b>
<b>DETAILS OF THE CURRENT EXAMINATION .....</b>	<b>6</b>
<b>TABLE OF TOTAL ALLEGED VIOLATIONS .....</b>	<b>7</b>
<b>SUMMARY OF EXAMINATION RESULTS .....</b>	<b>9</b>

**DEPARTMENT OF INSURANCE**

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



October 22, 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:

**Rural Community Insurance Company**  
**NAIC # 39039**

**Group# 0471**

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

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

## FOREWORD

The examination covered the claims handling practices of the aforementioned Company on Crop claims closed during the period from January 15, 2014 through January 14, 2015. 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 examiner, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

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

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

## **SCOPE OF THE EXAMINATION**

To accomplish the foregoing, the examination included:

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

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

3. A review of the California Department of Insurance's (CDI) market analysis results; consumer complaints and inquiries and a review of previous CDI market conduct claim examination reports on this Company.

The review of the sample of individual claims files was conducted at the offices of the California Department of Insurance in Los Angeles, California.

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

The Crop Insurance claims reviewed were closed from January 15, 2014 through January 14, 2015, referred to as the “review period”. The examiners randomly selected 55 claim files for examination. The examiners cited four alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination include the Company’s failure to send partial denial letters on claims where proof of loss had been received but not fully paid, failure to disclose on the denial letter the claimant’s right to have a claim denial reviewed by the Department, and an instance of an underpaid claim.

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

The review of market analysis and consumer complaint information identified no specific areas of concern.

The previous claims examination reviewed a period from September 1, 2008 through August 31, 2009. The most significant noncompliance issues identified in the previous examination report included the Company's failure to maintain all claim documents in the claim file; failure to provide written notice of the need for additional time; failure to acknowledge notice of claim within 15 calendar days; and failure to provide necessary forms and instructions. These issues were not identified as problematic in the current examination.

## DETAILS OF THE CURRENT EXAMINATION

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

<b>RCIC SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS IN REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
Crop / Crop Named Peril	277	55	4
<b>TOTALS</b>	277	55	4

## TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	Number of Alleged Violations
CCR §2695.7(b)(1) *[CIC §790.03(h)(13)]	The Company failed to provide in its written denial a reference to and explanation of the applications of specific statutes, applicable laws, and policy provisions, conditions or exclusions.	1
CCR §2695.7(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(g) *[CIC §790.03(h)(5)]	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	1
CIC §1879.2(a) *[CIC §790.03(h)(3)]	The Company failed to include the California fraud warning on insurance forms.	1
<b>Total Number of Citations</b>		<b>4</b>

### \*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"><b>CROP</b>                      2013 Written Premium: \$51,492,138  <b>AMOUNT OF RECOVERIES            \$315.00</b></p>	<p align="center"><b>NUMBER OF ALLEGED VIOLATIONS</b></p>
CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(g) [CIC §790.03(h)(5)]	1
CIC §1879.2(a) [CIC §790.03(h)(3)]	1
<b>TOTAL</b>	<b>4</b>

## 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 indicates that these practices are not applicable in other jurisdictions. Money recovered within the scope of this report was \$315.00 as described in section number 3 below.

### **CROP – CROP NAMED PERIL**

1. **In one instance, the Company failed to provide in its written denial a reference to and explanation of the application of specific statutes, applicable laws, and policy provisions, conditions or exclusions.** The Department alleges this act is in violation of CCR §2695.7(b)(1) and is an unfair practice under CIC §790.03(h)(13).

**Summary of the Company's Response:** The Company acknowledges that it failed to send a proper denial letter in this isolated instance. The Company states that it now has a procedure in place to send partial denial letters, when appropriate, and has reiterated this requirement to its claims personnel by providing adjuster training via electronic mail on July 15, 2015 and follow-up in-person training on August 24, 2015. The Company states it will send partial denial letters when a dispute is as to the amount of loss or when the value of the claim results in the Company paying an amount less than claimed by the policyholder; including instances when the Company pays an amount equal to coverage provided by the policy if the amount paid is less than the amount of the loss claimed.

2. **In one instance, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.** The Department alleges this act is in violation of CCR §2695.7(b)(3) and is an unfair practice under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that it did not include the Department's information on its denial notice. The Company has revised its settlement form in compliance with CCR §2695.7(b)(3) and provided the Department with a copy. The Company discussed the proper use of this form with claim handlers via electronic mail on July 15, 2015 and follow-up in-person training on August 24, 2015.

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

**Summary of the Company's Response:** The Company does not agree that it attempted to settle a claim by making a settlement offer which was unreasonably low or engaged in an unfair trade practice. Rather, the Company states it denied payment on a second reconditioning claim in reliance upon the terms of the federally reinsured Raisin Crop Provisions, which also applied to the subject claim. The Company states that it mistakenly believed the exclusions contained in its named peril Raisin Reconditioning and Extra Expense Policy were identical to those in the federal policy. The Company acknowledges that the named peril policy had changed and no longer included the exclusion for a second cleaning as it believed at the time the subject claim was adjusted. As a result of the examination, the Company reopened the claim and issued an additional payment of \$315.00, which represents the remaining coverage available under the subject policy. This matter was addressed in an email to claims handlers on July 15, 2015 and follow-up in-person training on August 24, 2015.

4. **In one instance, the Company failed to include the California fraud warning on insurance forms.** The Department alleges this act is in violation of CIC §1879.2(a) and is an unfair practice under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company acknowledges that the California fraud language was not included on its proof of loss form. The Company has now revised these template forms to comply with the statute and has provided the Department with a copy.