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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 TARGETED MARKET  
CONDUCT EXAMINATION OF THE CLAIMS PRACTICES OF**

**UNITED CASUALTY INSURANCE COMPANY  
OF AMERICA  
NAIC # 11142 CDI # 2404-2**

**AS OF MARCH 19, 2014**

**ADOPTED MARCH 23, 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 23, 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 targeted examination was made of the claims handling practices and procedures in California of:

**United Casualty Insurance Company of America  
NAIC # 11142**

**Group NAIC # 0215**

Hereinafter, the Company listed above also will be referred to as UCICA 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

This targeted examination covered the claims handling practices of the aforementioned Company, with respect to renter's insurance burglary and theft endorsement claims denied during the period January 1, 2011 through March 19, 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 pertaining to the processing of burglary and theft claims under renter's insurance policies 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.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of denied renter's insurance burglary and theft endorsement claims. The review includes the Company's application and enforcement of provisions involving the 24/72-hour reporting requirement and the forcible entry requirement in the burglary endorsement.

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, 2011 through March 19, 2014; and a review of the previous CDI market conduct claims examination report on this Company; and a review of the prior CDI enforcement actions.

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

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

The Renter's Insurance, Burglary and Theft endorsement denied claims reviewed were closed from January 1, 2011 through March 19, 2014, hereto referred as the "review period. The examiner randomly selected 58 UCICA denied claim files for examination. The examiner cited 71 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included failure 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; failure to acknowledge notice of claim within fifteen (15) calendar days; failure to provide written notice of the need for additional time or information every 30 calendar days; failure to conduct and diligently pursue a thorough, fair and objective investigation of a claim; failure to disclose all benefits, coverage, time limits or other provisions of the insurance policy; failure, upon receiving proof of claim, to accept or deny the claim within 40 calendar days; failure to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear; misrepresentation to claimants of pertinent facts or insurance policy provisions relating to any coverages at issue, and failure to maintain all documents, notes and work papers in the claims file.

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

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

The Company was the subject of 11 California consumer complaints and inquiries closed from January 1, 2011 through March 19, 2014, in regard to the lines of business reviewed in this examination. The CDI alleged 10 improper denials of claim and 1 unsatisfactory settlement offer. Of the complaints and inquiries, the CDI determined the nine complaints for improper denials were justified. The examiner focused on these issues during the course of the file review.

The previous claims examination reviewed a period from January 1, 1998 through January 1, 1999. The most significant noncompliance issues identified in the previous examination report was the Company's failure to disclose all benefits, coverage, time limits or other provisions of the insurance policy; failure to maintain all documents, notes and work papers in the claims file; failure to begin necessary investigation; and failure to provide reasonable assistance; and/or failure to acknowledge notice of claim within 15 days. These issues were 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>UCICA 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>
Renter's / Burglary and Theft Denied	58	58	71
<b>TOTALS</b>	58	58	71

## TABLE OF TOTAL ALLEGED VIOLATIONS

Violation	Description of Allegation	UCICA Number of Alleged Violations
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	45
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within fifteen (15) calendar days.	11
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
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	2
CCR §2695.7(b) *[CIC §790.03(h)(4)]	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	2
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.	2
CIC §790.03(h)(1)	The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.	2
CCR §2695.3(a) *[CIC §790.03(h)(3)]	The Company failed to maintain all documents, notes and work papers in the claims file.	1
CCR §2695.5(b) *[CIC §790.03(h)(2)]	The Company failed to respond to communications within fifteen (15) calendar days.	1
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.	1
CCR § 2695.6(b) *[CIC §790.03(h)(3)]	The Company failed to provide thorough and adequate training regarding the Fair Claims Settlement Practices regulations to all its claims agents.	1
<b>Total Number of Alleged Violations</b>		<b>71</b>

**\*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)(4)      The Company failed to affirm or deny coverage of claims within a reasonable time after proof of loss requirements had been completed and submitted by the insured.
- CIC §790.03(h)(13)     The Company failed to provide promptly a reasonable explanation of the basis 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 VIOLATIONS BY LINE OF BUSINESS**

<b>RENTERS</b> 2013 Burglary and Theft Written Premium: \$366,311	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	45
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	11
CCR §2695.4(a) [CIC §790.03(h)(3)]	3
CIC §790.03(h)(5)	2
CCR §2695.7(b) [CIC §790.03(h)(4)]	2
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	2
CCR §2695.7(d) [CIC §790.03(h)(3)]	1
CIC §790.03(h)(1)	2
CCR §2695.3(a) [CIC §790.03(h)(3)]	1
CCR §2695.5(b)[CIC §790.03(h)(2)]	1
<b>TOTAL</b>	<b>70</b>

<b>General</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CCR §2695.6(b) [CIC §790.03(h)(3)]	1
<b>TOTAL</b>	<b>1</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 intends to implement corrective actions in all jurisdictions.

There were no recoveries discovered within the scope of this report. Pursuant to the findings of the examination as described in section number 3 and 4 below, the Company is conducting a closed claims survey. The results of the survey and additional payments, if any, will be reported to the Department.

### **RENTERS BURGLARY ENDORSEMENT**

1. **In 45 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 45 instances where the Company denied the claims on grounds there was no evidence of forced entry, the denial letters consists of a series of conclusory statements and recitation of the exclusionary provision without identifying the factual bases of the denial. 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 denial letters did not include the "factual bases" for the rejection. As a result of the examination, the Company met with its claim staff on August 10, 2015 to reinforce compliance. Staff was instructed, effective immediately; any denial letter must include the specific reason for the denial. The Company is working to program the specific reason for a denial in its automated letters. In the interim, the Company will add the

bases for the rejection manually in its denial letters. The Company further states, all denial letters will be reviewed by the Claim Specialist and a Supervisor prior to mailing until such time as the automated letters are amended.

**2. In 11 instances, the Company failed to acknowledge notice of claim within fifteen (15) calendar days.** In 11 instances the Company failed to acknowledge notice of claim within fifteen 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 that notices of claim were not acknowledged within 15 calendar days pursuant to regulatory guidelines. As a result of the examination, the Company conducted staff training on August 14, 2014 to reinforce timely acknowledgment of claims. Additionally, on August 10, 2015, the Company held a meeting to advise staff to verify and respond to any written communication from a claimant or insured received on any claim, regardless of the content of the communication, promptly. Staff were instructed that if the communication is not specifically claim related, to immediately notify the applicable internal department(s) of the issues identified and include that information in the response to the claimant or insured.

**3. In three instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** The Company failed to advise the insured claimant of a 24 hour filing requirement for initial notice, and 72 hour filing requirement for supplemental losses. The claims in these instances were subsequently denied for failing to meet the policy's 72 hour supplemental reporting requirement. 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 agrees with the findings in these three instances. The Company states the 72 hour reporting requirement is part of the burglary coverage endorsement and is included on the first page of the endorsement along with language advising of the 24 hour initial reporting requirement. However, as a result of the examination, the Company revised its claim form to include a Claim Disclosure which informs the insured of the reporting requirements that are set forth in the policy. The Company states, the insured will receive the claim form at the time he/she files a claim. In conjunction with the revised claim form, the Company sent a bulletin to agents on September 1, 2015 regarding the new disclosure form and instructing them to also verbally make the insured aware of the reporting requirements.

Additionally, the Company conducted a self-survey of all claims denied for failing to meet the 24/72 hour supplemental loss filing requirement covering the period January 1, 2011 to December 31, 2014. The survey was completed on October 21, 2015. The Company reported eight claims (including the three alleged violations in this report)

were denied for failing to meet the 24/72 hour notice requirements. The Company states it believes its denial decisions were fair and accurate and no further action is warranted on these claims. On a going forward basis the Company will make available for the Department's review all claims denied due to the insured's failure to meet the 24/72 hour loss reporting requirement from September 1, 2015 through December 31, 2016. When the denied file is closed it will be placed in a queue for the Department's review.

**Summary of the Department's Evaluation of the Company's Response:** The Company failed to provide disclosure of the reporting requirements at the time the claims were presented pursuant to the regulation requirement. The claims were subsequently denied for failing to meet the 72 hour reporting requirement. The Department disagrees with the Company's assertion that no further action is warranted. The Company's proposed resolution does not have a measure to correct past harm in the eight claims surveyed (including the three alleged violations in the report). Therefore, this is an unresolved issue that may result in administrative action.

**4. In two instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.**

The Company improperly denied claims in these instances. In one instance photographs, taken by the agent, showed the suspect(s) gained entry into the insured's property through a secured window air conditioner unit that was forcibly removed by the suspect(s). The police report states "the suspect pried the screen on front window and pushed in the A/C unit". In another instance the pictures of the loss, taken by the agent, show the insured's burglary security door was cut open and the suspect(s) gained entry through this forced opened door. In both instances the company denied the claims on grounds there was no evidence of forced entry. The Department alleges these acts are in violation of CIC §790.03(h)(5).

**Summary of the Company's Response:** The Company does not believe it violated CIC § 790.03(h)(5). In the first instance the Company states there was no evidence the air conditioning unit was forced in by the alleged burglar(s). In the second instance the Company states a rod iron burglary security door is a screen door and the cutting of a screen door does not constitute a forced entry. However, as a result of the examination, the Company conducted a retrospective review of claims denied for lack of forcible entry from August 31, 2012 through August 31, 2015. The survey was completed on January 29, 2016. The Company reported 69 claims denied for lack of forced entry (including the two alleged violations in this report). The Company states it believes its denial decisions were fair and accurate and no further action is warranted on these claims. On a going forward basis, the Company will make available for the Department's review all claims denied due to lack of forcible entry evidence from September 1, 2015 through December 31, 2016. When the denied file is closed it will be placed in a queue for the Department's review.

**Summary of the Department's Evaluation of the Company's Response:** The Department disagrees with the Company's interpretation of "forced entry" and the

manner in which this interpretation is applied to burglary and theft claims under its renters' policies. Consequently, the survey of claims denied for forcible entry did not result in any reversal of claim denials. The two above referenced claims were supported by police reports indicating forced entry burglaries. The Company's forced entry policy requirement was satisfied by the statements and conclusions contained in the police reports. The Company has not provided corrective action. Therefore, this is an unresolved issue and may result in administrative action.

**5. In two instances, the Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.** In one instance the Company received proof of claim on May 28, 2011 and denied the claim on October 27, 2011, or 152 days after receiving proof of loss. In the second instance, the company received proof of claim on August 10, 2010, and denied the claim on January 24, 2011, 167 days after it received proof of claim. In each of these instances, the claims were submitted with police reports supporting proof of claim. 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 agrees in both instances the claims were not accepted or denied within 40-days of receiving proof. The Company conducted training on August 14, 2014 to emphasize regulatory compliance and reinforce with staff timely processing of claims.

**6. In two instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days.** In two instances the Company failed to send the insured a 30-day letter requesting additional time to accept or deny the claim. 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 agrees that claim status and follow-ups were not sent to claimants within regulatory guidelines. The Company conducted training on August 14, 2014 to emphasize regulatory compliance and reinforce to staff that all follow-up and status notifications must be provided in writing to claimants every 30 days.

**7. In two instances, the Company misrepresented to claimants pertinent facts or insurance policy provisions relating to coverages at issue.** In one instance, the Company misrepresented that the insured failed to report within 24 hours of discovery of the burglary. However, the police report in the claim file indicates the burglary was reported on the same day of discovery. The Company denied the claim for lack of forcible entry and failing to report within the 24 hour notice requirement. In the second instance an acknowledgement letter stated notice of claim was received on August 1, 2011. A document in the claim file from the Call Center stated verbal notice of claim was received on July 26, 2011. The Department alleges these acts are in violation of CIC §790.03(h)(1).

**Summary of the Company's Response:** The Company disagrees with the finding in both instances. In the first instance the Company states that it received two reports on the same day; one was a police report and the other was the insured's burglary inventory worksheet. The Company believes there was an inconsistency with what was reported burglarized on the police report and what was stated as burglary theft on the inventory worksheet. The Company states the items on the burglary worksheet were not reported to the police within 24 hours according to the police report. In the second instance, UCICA states, "There is nothing to support that the Company was actually notified of this claim prior to the Claim Report having been scanned into the imaging System on September 22, 2011. This form was not witnessed by the agent when it was turned in and the agent did not sign it until August 2, 2011."

**Summary of the Department's Evaluation of the Company's Response:** Regarding the first instance, the insured contacted the police department on the day the loss was discovered which is supported by the police report dated October 8, 2012. Therefore, the insured fulfilled the requirement to report a burglary loss within 24 hours of discovery. In the second instance, the Company's Home Office Call Center documented verbal notice of claim received on July 26, 2011, five days earlier than stated on the acknowledgement letter. In each instance, the Company misrepresented facts pertaining to its receipt of notice of claim. Therefore, this is an unresolved issue that may result in administrative action.

**8. In one instance, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation.** In this instance, the police report checked off "Point of Entry Window" and "Window Forced". The Company improperly denied the claim on grounds there was no proof of forced entry. Further, the photos taken by the police department were not included with the police report and the Company failed to request the photos. The Department alleges this act is in violation of CCR §2695.7(d) and are an unfair practice under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company disagrees with the finding. The Company responds that in this instance, it conducted an investigation based on the claim documents it obtained. The photo referenced in the police report was not attached or included in the police report documentation.

**Summary of the Department's Evaluation of the Company's Response:** The Company did not conduct a thorough, fair and objective investigation to determine there was no proof of forced entry. Further, the Department disagrees with the Company's interpretation of "forced entry" and the manner in which this interpretation is applied to burglary and theft claims under its renters' policies. This is an unresolved issue and may result in administrative action.

**9. In one instance, the Company failed to maintain all documents, notes and work papers in the claims file.** In one instance the Company could not produce a denial letter. 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 finding, and to ensure future compliance the Company sent a memorandum reminding all adjusters about the importance of sending an appropriate denial letter and maintaining appropriate file documentation. Although the Company agrees with the finding, the Company states one instance of failing to produce a denial letter in the file does not indicate a general business practice.

**10. In one instance, the Company failed to respond to communications within fifteen (15) calendar days.** In the notice of claim letter, the insured also requested a copy of the policy. The Company received the insured's request on March 24, 2012. The insured did not receive a copy of the policy until the claim was denied on May 5, 2012, 42 days later. The Department alleges this act is in violation of CCR §2695.5(b) and is an unfair practice under CIC §790.03(h)(2).

**Summary of Company Response:** As a result of the examination, the Company met with its claim staff on August 10, 2015 to reinforce compliance. Staff was instructed, to verify and respond promptly to any written communication from a claimant or insured pertaining to a claim, regardless of the content of the communication. Staff was further instructed that if the communication is not specifically claim related, immediately notify the applicable internal department(s) of the issues identified and include that information in the response to the claimant or insured.

## **General**

**11. The Company failed to provide thorough and adequate training regarding the Fair Claims Settlement Practices regulations to all its claims agents.** The Company has a general practice of agents performing dual tasks. The agents sell the policies and assist with the claim handling process. Agents receive notice of claim, conduct initial interviews and in some instances inspect and document the loss. The agents also take crime scene photos upon which liability may be decided. This is construed as investigatory activity and not merely a passive transfer of information. The Company has not provided the required training for its agents to perform the claims handling duties. The Department alleges these acts are in violation of CCR §2695.6(b) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company provided a copy of its Professional Agent Development (PAD) training handout. The PAD list the Agent's Responsibilities, i.e. provide the insured with an inventory sheet, advise insured not to discard any damaged property until notified by the company, and advise the insured how to protect property from further damage or loss. In addition to the "Agent's Responsibilities" the PAD contains a section entitled "Claims Procedures" that gives the same instructions contained in the Agent's Responsibilities.

**Summary of the Department's Evaluation of the Company's Response:**

The UCICA agents are authorized by the Company to assist in the investigation of the claim. Training and certification in the California Fair Claims Settlement Practices Regulations is required for claims agents. The PAD training handout does not demonstrate the Company's agents are trained and certified in the California Fair Claims Settlement Practices Regulations. Therefore, this is an unresolved issue that may result in administrative action.