

**[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**

**STERLING CASUALTY INSURANCE COMPANY
NAIC # 12878 CDI # 2828-2**

AS OF MAY 31, 2015

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, 10th 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 examination was made of the claims handling practices and procedures in California of:

Sterling Casualty Insurance Company
NAIC # 12878

Group NAIC # 0000

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

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

FOREWORD

The examination covered the claims handling practices of the aforementioned Company on Personal Automobile claims closed during the period from June 1, 2014 through May 31, 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 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 claim 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 the Company closed by the CDI during the period June 1, 2014 through May 31, 2015; a review of previous CDI market conduct claim examination reports on the 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 Newport Beach, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Personal Automobile claims reviewed were closed from June 1, 2014 through May 31, 2015, referred to as the “review period”. The examiners randomly selected 200 SCIC claims files for examination. The examiners cited 86 alleged claims handling violations of the California Insurance Code and California Fair Claims Settlement Regulations from this sample file review.

Findings of this examination include a failure to provide a complete Auto Body Bill of Rights to the insureds, and a failure to transmit 30-day status letters timely.

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 20 California consumer complaints and inquiries closed from June 1, 2014 through May 31, 2015, in regard to the line of business reviewed in this examination. Of the complaints and inquiries, the CDI determined two complaints were justified for unsatisfactory settlement offers. The examiners focused on these issues during the course of the file review.

The previous claims examination reviewed a period from February 1, 2004 through January 31, 2005. The most significant noncompliance issues identified in the previous examination report was the Company's failure to adopt and implement reasonable standards for the prompt investigation and processing of claims, and failure to pay claims timely.

The Company has not been the subject of any prior CDI enforcement action.

DETAILS OF THE CURRENT EXAMINATION

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

SCIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Personal Automobile / Collision	1,714	60	24
Personal Automobile / Comprehensive	254	10	5
Personal Automobile / Property Damage	3,401	59	10
Personal Automobile / Bodily Injury	807	11	10
Personal Automobile / Uninsured Motorist Property Damage [UMPD]	20	20	20
Personal Automobile / Uninsured Motorist Bodily Injury [UMBI]	32	32	8
Personal Automobile / Med Pay	34	8	9
TOTALS	6,262	200	86

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	SCIC Number of Alleged Violations
CCR §2695.85(a) *[CIC §790.03(h)(3)]	The Company failed to provide the insured with the Auto Body Repair Consumer Bill of Rights either at the time of application for automobile insurance, at the time a policy was issued, or following an accident.	24
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.	24
CCR §2695.8(b)(4) *[CIC §790.03(h)(3)]	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.	5
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	4
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	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 §2695.7(b) *[CIC §790.03(h)(4)]	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	3
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.	3
CIC §11580.011(e) *[CIC §790.03(h)(5)]	The Company failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system that was in use by a child during the accident or if it sustained a covered loss while in the vehicle.	3
CCR §2695.7(b)(1) *[CIC §790.03(h)(13)] *[CIC §790.03(h)(3)]	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.	2
	The Company failed to deny, dispute or reject a third party claim in writing.	1

Citation	Description of Allegation	SCIC Number of Alleged Violations
CCR §2695.5(e)(3) *[CIC §790.03(h)(3)]	The Company failed to begin investigation of the claim within 15 calendar days.	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 §2632.13(e)(2) *[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.	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.	2
CCR §2695.7(g) *[CIC §790.03(h)(5)]	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	1
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.	1
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	1
Total Number of Alleged Violations		86

***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)(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

PERSONAL AUTOMOBILE 2014 Written Premium: \$17,243,292.00 AMOUNT OF RECOVERIES \$7,768.54	NUMBER OF ALLEGED VIOLATIONS
CCR §2695.85(a) [CIC §790.03(h)(3)]	24
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	24
CCR §2695.8(b)(4) [CIC §790.03(h)(3)]	5
CCR §2695.7(h) [CIC §790.03(h)(5)]	4
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	3
CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	3
CCR §2695.7(b) [CIC §790.03(h)(4)]	3
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	3
CIC §11580.011(e) [CIC §790.03(h)(5)]	3
CCR §2695.7(b)(1) [CIC §790.03(h)(13)] and [CIC §790.03(h)(3)]	3
CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	2
CCR §2695.7(f) [CIC §790.03(h)(3)]	2
CCR §2632.13(e)(2) [CIC §790.03(h)(3)]	2
CIC §790.03(h)(5)	2
CCR §2695.7(g) [CIC §790.03(h)(5)]	1
CCR §2695.3(a) [CIC §790.03(h)(3)]	1
CIC §11580.011(e) [CIC §790.03(h)(3)]	1
SUBTOTAL	86
TOTAL	86

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 \$7,768.54 as described in sections number 9, 13, 14, and 16 below. As a result of the examination, the total amount of money returned to claimants within the scope of this report was \$7,768.54.

PERSONAL AUTOMOBILE

1. **In 24 instances, the Company failed to provide the insured with the Auto Body Repair Bill of Rights either at the time of application for automobile insurance, at the time a policy was issued, or following an accident.** In these instances, the Auto Body Repair Bill of Rights (ABRBR) provided to the insured did not include the required language which came into effect on January 1, 2010 stating that a consumer is entitled to "Seek and obtain an independent repair estimate directly from a registered auto body repair shop for repair of a damaged vehicle, even when pursuing an insurance claim for repairing the vehicle."

The Department alleges these acts are in violation of CCR §2695.85(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and agrees that it did not provide the complete ABRBR which is normally transmitted with the acknowledgement letters to the insured following an accident. As a

result of the examination, the Company revised its template letter containing the ABRBR to include the updated language as of July 15, 2015. A copy of the revised template form letter was provided to the Department.

2. In 24 instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days. In these instances, 30-day status letter were not transmitted, or were not sent timely. The Department alleges these acts are in violation of CCR §2695.7(c)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and agrees that it did not send written notices of the need for additional time or information every 30 calendar days in these instances. As a result of the examination, the Unit Managers will provide a weekly Claims Aging Report to examiners advising them of claims that remain open at 30 days in order to reinforce regulatory compliance. A Unit Manager training was also conducted on August 25, 2015 on this issue. In addition, semi-annual Fair Claims Practices Regulations Training was conducted with all staff on August 27, 2015 with emphasis on this regulation.

3. In five instances, 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. In each instance, comparable vehicles in the actual cash value report were utilized outside of the local market area. The Department alleges these acts are in violation of CCR §2695.8(b)(4) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and agrees that comparable vehicles taken outside the local primary market area such as Grand Prairie, TX (1,370 miles from the source vehicle) and Waipahu, HI (the source vehicle was in Sacramento, CA). As a result of the examination, the Company will utilize its third party vendor (AudaExplore) to search in 25- mile increments from the zip code where the loss vehicle is principally garaged. If two comparable vehicles and/or newer model year vehicles cannot be located within these parameters, the Company will seek quotes from dealers within the same specified local market area, or comply with regulatory guidelines for searching comparable vehicles.

4. In four instances, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. In two instances, the Company did not pay automobile repair claims within 30 days of acceptance when body shop information were not yet received; and in two instances, medical payment claims were not paid timely upon acceptance of the claim. The Department alleges these acts are in violation of CCR §2695.7(h) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the findings and agrees that payment was not tendered within 30 calendar days of acceptance of the claim in these instances. In two of the instances involving automobile repair, the

Company implemented a procedure to ensure that examiners place detailed notes on the insured's choice of shop. When no repair facility information is provided, the Company indicates it will issue payment to the insured and lienholder within regulatory timelines. In the last two instances involving Medical Payments, the Company has implemented a procedure for Unit Managers and examiners to be notified through the Company's imaging system regarding all timeline issues such as payments on medical invoices. The Company's examiners will be given a 10-day advance notification in the Company's claim system to respond promptly. In addition, Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this regulation.

5. In three 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 acknowledges the findings and agrees that notices of claims were not acknowledged timely in these instances. As a result of the examination, the Company has implemented a procedure that Unit Managers and examiners will be notified through the Company's imaging system of all regulatory time limit issues such as claim acknowledgement. The Company's examiners will be given a 10-day advance notification in the Company's claims system to respond promptly. When a first notice of loss (FNOL) is received by the Claims Department on a new claim, the Claims Controller will place a 15-day diary for the Unit Manager to send out acknowledgement letters including benefits, coverage issues, and the transmittal of the Auto Body Repair Bill of Rights (ABRCBR). A Unit Manager training was conducted on August 25, 2015 on this issue. In addition, a semi-annual Fair Claims Practices Regulations Training was conducted with all staff on August 27, 2015 with emphasis on this regulation.

6. 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 acknowledges the findings and agrees that necessary forms, instructions and reasonable assistance were not provided within 15 days in these instances. As a result of the examination, the Company has implemented a procedure that Unit Managers and examiners will be notified through the Company's imaging system of all regulatory time limit issues including the requirement to provide necessary forms, instructions and reasonable assistance. The Company's examiners will be given a 10-day advance notification in the Company's claims system to comply with these timelines. When a first notice of loss (FNOL) is received by the Claims Department on a new claim, the Claims Controller will place a 15-day diary for the Unit Manager to send out acknowledgement letters with benefit disclosure; and provision of necessary forms, instructions and assistance to the insured within prompt guidelines. A Unit Manager training was conducted on August 25, 2015 on this issue. In

addition, a semi-annual Fair Claims Practices Regulations Training was conducted with all staff on August 27, 2015 with emphasis on this regulation.

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

Summary of the Company's Response: The Company acknowledges the findings and agrees that in these instances, proof of claim was not acknowledged within 40 calendar days. These instances were the result of inadvertent errors and the pertinent adjusters were counseled. As a result of the examination, the Company has implemented a procedure that Unit Managers and examiners will be notified through the Company's imaging system of all regulatory time limits issues including the requirement to accept or deny a claim upon receiving proof of claim. The Company's examiners will be given a 10-day advance notification in the Company's claims system to alert the examiners to comply with prompt claims guidelines. A Unit Manager training was conducted on August 25, 2015 on this issue. In addition, a semi-annual Fair Claims Practices Regulations Training was conducted with all staff on August 27, 2015 with emphasis on this regulation.

8. **In three instances, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.** These instances included two medical payment partial denial letters, and one full denial notice which did not include the required California Department of Insurance (CDI) language. The Department alleges these acts are in violation of CCR §2695.7(b)(3) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings and agrees that in these instances, the letters for partial and full denial of claims did not include the language 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. As a result of the examination, the Company has revised the Medical Payments template form letter to include the required language and provided a copy to the Department. The revised template was implemented on July 24, 2015. In addition, a Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this regulation.

9. **In three instances, the Company failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system that was in use by a child during the accident or if it sustained a covered loss while in the vehicle.** The Department alleges these acts are in violation of CIC §11580.011(e) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the

findings and agrees that it did not reimburse the cost of child passenger restraint systems (CPRS) which were in use by a child or sustained a covered loss while in the vehicle. As a result of the examination, a total of \$435.54 was paid to claimants. In addition, a staff meeting was held on July 20, 2015 on the CPRS regulation. A Unit Manager training was also conducted on August 25, 2015 on this issue. Finally, a semi-annual claims training was conducted with all staff on August 27, 2015 with emphasis on this statute.

10. In three instances, the Company failed to comply with CCR §2695.7(b)(1).

10(a). In two 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 these first party uninsured motorist property damage (UMPD) claims, the Company improperly denied the claims. The Department alleges these acts are in violation of CCR §2695.7(b)(1) and are unfair practices under CIC §790.03(h)(13).

Summary of the Company's Response: The Company acknowledges the findings and agrees that it denied the claims without providing in writing the reasons for the denial in whole or in part including the factual and legal bases for each reason given. As a result of the examination, the claims were re-opened and the amount of \$1,633.80 was paid to the insureds. In addition, the pertinent adjuster was trained on the proper way to settle a UMPD claim. A Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this regulation.

10(b). In one instance, the Company failed to deny, dispute or reject a third party claim in writing. The claimant was not provided a written denial of a claim. The Department alleges this act is in violation of CCR §2695.7(b)(1) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and agrees that it did not advise a third party claimant of its claim denial in writing. In this instance, the denial was sent to the third party adverse carrier only. As a result of the examination, the Company's adjusters have been instructed to send denial letters to all known involved parties in a memorandum dated August 6, 2015. A copy of the electronic directive was provided to the Department.

11. In two instances, the Company failed to begin 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 acknowledges the findings and agrees that investigation of the claims were delayed. As a result of the examination, the Company has implemented a procedure that when a first notice of loss (FNOL) is received by the Claims Department on a new claim, the Claims Controller will place a 15-day diary for the Unit Manager to monitor the start of the investigation. A Unit Manager training was conducted on August 25, 2015 on this issue. In addition, a semi-

annual Fair Claims Practices Regulations Training was conducted with all staff on August 27, 2015 with emphasis on this regulation.

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. In two Uninsured Motorist Bodily Injury (UMBI) claims, statute letters were not sent prior to closure of the claims. 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 acknowledges the findings and agrees that the insureds were not provided written notices of the statute of limitation prior to closing the UMBI claims. As a result of the examination, the appropriate statute letters were transmitted allowing for additional time to pursue a claim. In addition, a Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this regulation.

13. 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. These instances involved the Company's failure to send the determination of fault notices. 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 findings and agrees that the notices were not provided to the insureds advising that the drivers of the insured vehicles were principally at-fault in these instances. As a result of the examination, the regulatory notices were sent to the insureds in these instances. In addition, the Company has implemented a procedure that when a net payment claim payment is at least \$1,000.00, an At-Fault Letter is to be sent to the insured after verbal notification when the criteria for CCR §2632.13(e)(2) has been met. A Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this regulation.

14. In two instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. In one instance, a total loss evaluation was completed however the claim was improperly closed without payment. In another instance, an uninsured motorist property damage (UMPD) claim was not paid. The Department alleges these acts are in violation of CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the finding that it did not effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear in these instances. The Company agrees that a total loss evaluation was completed but the claim was closed over two months later without an offer to settle the collision claim. This claim was re-opened and paid prior to the

examination. In another instance and as a result of the examination, a UMPD claim was paid in the amount of \$699.20 to the insured. The Company indicates these instances were the result of inadvertent examiner errors. A Unit Manager training was conducted on August 25, 2015 on this issue. A semi-annual claims training was also conducted with all staff on August 27, 2015 with emphasis on this statute.

15. In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. In this instance, the claim was not paid the full amount on a policy limit settlement. 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 acknowledges the finding and agrees that it did not pay the full amount of its property damage limit of \$10,000 on a subrogation claim. The Company informed the claimants that the limit was only \$5,000 and the claims were paid at this amount. As a result of the examination, the claim was re-opened and the claimant carrier was contacted on July 31, 2015. The remainder of the policy limit was issued in the amount of \$5,000.00. The Unit Managers will now institute a Closed File Review (CFR) diary for all claims to identify these issues.

16. In one instance, 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. In this instance, notes, signed releases and record of payments are missing from the claim file. The Department alleges this act is in violation of CCR §2695.3(a) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and states that the photocopy process in transferring the emails to its system did not function properly and some documentation were not transferred. This was an isolated error and the pertinent staff was counseled.

17. In one instance, 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 this act is in violation of CIC §11580.011(e) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding and agrees that it did not ask if a child passenger restraint system [CPRS] was in use by a child or sustained a covered loss while in the vehicle. As a result of the examination, the pertinent adjuster was counseled. In addition, a staff meeting was held on July 20, 2015 on the CPRS statute. A Unit Manager training was conducted on August 25, 2015 on this issue. Semi-annual Fair Claims Practices Regulations Training was also conducted with all staff on August 27, 2015 with emphasis on this statute.