

**[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  
PRODUCERS AGRICULTURE INSURANCE COMPANY  
NAIC # 34312 CDI # 5005-4**

**AS OF JANUARY 31, 2015**

**ADOPTED AUGUST 28, 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.**

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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



August 28, 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:

**Producers Agriculture Insurance Company  
NAIC # 34312**

**Group NAIC # 0306**

Hereinafter, the Company listed above also will be referred to as PAIC 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 February 1, 2014 through January 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 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's for use in California including any documentation maintained by the Company's 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 February 1, 2014 through January 31, 2015.

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

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

The crop claims reviewed were closed from February 1, 2014 through January 31, 2015, referred to as the “review period”. The examiners randomly selected 48 claims files for examination. The examiners cited two alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included failure to: inform the claimant of their right to have the claim reviewed by the California Department of Insurance and failure to send status letters every thirty days after proof of claim had been received but the claim had not yet been accepted or denied.

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

The review of the market analysis and consumer complaint information identified no specific areas of concern. There have been no prior claims examinations conducted upon this Company.

**DETAILS OF THE CURRENT EXAMINATION**

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

<b>PAIC 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>
Farmowners / Crop	159	48	2
<b>TOTALS</b>	159	48	2

**TABLE OF TOTAL ALLEGED VIOLATIONS**

<b>Citation</b>	<b>Description of Allegation</b>	<b>PAIC Number of Alleged VIOLATIONS</b>
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	The Company failed to reference the California Department of Insurance in its claims denial.	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
<b>Total Number of Citations</b>		<b>2</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.
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**TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS**

<b>FARMOWNERS / CROP</b> 2013 Written Premium: \$9,360,061  <b>AMOUNT OF RECOVERIES                  \$00.00</b>	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	1
<b>SUBTOTAL</b>	<b>2</b>
<b>TOTAL</b>	<b>2</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

There were no recoveries discovered within the scope of this report.

### **Farmowners / Crop**

1. **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 will include a "Notice of your Right to Request a Review regarding California named peril and Crop-Hail policies issued by producers Agriculture Insurance Company or its Affiliates (ProAg)" to insureds on a go forward basis where a proof of loss has been received but not fully reimbursed due to a policy provision. A copy of the new notice was provided to the Department on May 15, 2015.

2. **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 acknowledges it did not provide a timely status letter in this instance. The Company has indicated this was an

isolated instance. The Company has a standard procedure in place to provide timely status letters and has provided a copy of the template to the Department. The use of the appropriate status letter was reiterated to staff handling California claims on May 15, 2015.