

**[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 HANDLING, RATING, AND UNDERWRITING PRACTICES OF**

**STRATFORD INSURANCE COMPANY  
NAIC # 40436 CDI # 4601-1**

**AS OF MARCH 31, 2015**

**ADOPTED OCTOBER 22, 2015**

**STATE OF CALIFORNIA**



**CALIFORNIA DEPARTMENT OF INSURANCE  
MARKET CONDUCT DIVISION**

## 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**

Market Conduct Division  
300 Capitol Mall  
Sacramento, CA 95814



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 the California Insurance Code Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04; Chapter 9, Article 6, Sections 1857.2, 1857.3 and 1857.4; and California Code of Regulations Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a), a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

**Stratford Insurance Company**  
**NAIC # 40436**

Hereinafter, the Company listed above also will be referred to as Stratford, SIC 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 limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's commercial auto line of business during the period April 1, 2014 through March 31, 2015. The limited 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.

This report pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq.

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 identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries in this report. 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 specified guidelines, procedures, and forms adopted by the Company for use in California.

2. 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 of April 1, 2014 through March 31, 2015; and a review of reports on the previous CDI market conduct examinations of this Company; and a review of prior CDI enforcement actions.

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, California.

## **EXECUTIVE SUMMARY**

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request. There was no review of underwriting or claims files during this examination.

The primary findings resulting in alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq. that were identified in the course of the examination include failure to train claims adjusters and failure by the principal of the Company to sign the required certification of compliance in training, failure to include the required disclosure regarding wrongful denial or rejection of claim on the denial letters, and failure to provide claimants with the written notice of the applicable Bodily Injury and Uninsured Motorist Bodily Injury statute of limitations. Details of the findings are provided in the Summary of Examination Results section of this report.

Stratford Insurance Company reported \$13,845,003 in written premiums for commercial automobile insurance coverage in California during 2014. The Company closed 539 commercial automobile claims during 2014.

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

The review of market analysis and consumer complaint information identified no specific areas of concern within the scope of this report.

No prior market conduct examinations have been conducted upon this Company by the Department, and the Department has taken no prior enforcement actions related to the Companies' claim handling practices.

## DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company’s responses, within the scope of this report, to the Department’s data request and the alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695.0 et seq. that resulted from the review of that data. All “NO” answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a “NO” answer is provided in the Cited Statutes and Regulations table.

| <b>AREAS OF REVIEW</b>  |  |                                  |
|---|--|----------------------------------|
| <b>SPECIFIC ISSUE REVIEWED</b>  | <b>INDICATION OF COMPLIANCE (YES/NO)</b> | <b>SUMMARY OF RESULTS ITEM #</b> |
| Certification of claims training by a principal –<br>CCR §2695.6(b) [CIC §790.03(h)(3)]                                   | NO                                       | 1                                |
| Copy of written standards for claims –<br>CCR §2695.6(a) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with Special Investigative Unit Regulations –<br>CIC §1875.20 and CCR §§2698.30-2698.43<br>[CIC §790.03(h)(3)] | YES                                      | --                               |
| Compliance of letters and forms –<br>CCR §2695.7(b)(3) CIC §880 [CIC §790.03(h)(3)]                                       | YES                                      | --                               |
| Compliance of letters and forms –<br>CCR §§2695.4; 2695.5; 2695.7; and 2695.80 [CIC<br>§790.03(h)(3)]                     | YES                                      | --                               |
| Compliance with requirement to disclose benefits –<br>CCR §2695.4(a) [CIC §790.03(h)(1)]                                  | YES                                      | --                               |
| Compliance with requirements for acknowledgement of claims<br>CCR §2695.5(e)(1) [CIC §790.03(h)(2)]                       | YES                                      | --                               |

| <b>AREAS OF REVIEW</b>  |  |                                  |
|---|--|----------------------------------|
| <b>SPECIFIC ISSUE REVIEWED</b>  | <b>INDICATION OF COMPLIANCE (YES/NO)</b> | <b>SUMMARY OF RESULTS ITEM #</b> |
| Compliance with requirements for reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to begin investigation – CCR §2695.5(e)(3) [CIC §790.03(h)(3)]   | YES                                      | --                               |
| Compliance with requirements to respond to communication – CCR §2695.5(b) [CIC §790.03(h)(2)]   | YES                                      | --                               |
| Compliance with requirements to utilize a HIPAA compliant medical authorization form – CIC §791.06 [CIC §790.03(h)(3)]                        | YES                                      | --                               |
| Compliance with requirements to issue all denials in writing – CCR §2695.7(b)(1) [CIC §790.03(h)(13)]   | YES                                      | --                               |
| Compliance with requirements to reference the California Department of Insurance in denials – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]           | NO                                       | 2                                |
| Compliance with requirements to accept or deny in 40 days – CCR §2695.7(b) [CIC §790.03(h)(3) and/or CIC §790.03(h)(4)]                       | YES                                      | --                               |
| Compliance with requirements to send additional time letters every 30 days – CCR §2695.7(c)(1) [CIC §790.03(h)(3)]                            | NO                                       | 3                                |
| Compliance with requirements to tender payment within 30 days – CCR §2695.7(h) [CIC §790.03(h)(5)]  | YES                                      | --                               |
| Compliance with requirements to provide the insured with “The Auto Body Repair Consumer Bill of Rights” – CCR §2695.85(a) [CIC §790.03(h)(3)] | NO                                       | 4                                |

| <b>AREAS OF REVIEW</b>   |  |                                  |
|--|--|----------------------------------|
| <b>SPECIFIC ISSUE REVIEWED</b>   | <b>INDICATION OF COMPLIANCE (YES/NO)</b> | <b>SUMMARY OF RESULTS ITEM #</b> |
| Compliance with requirements not to require repairs from a specific shop –<br>CCR §2695.8(e)(1) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to supply claimants with repair estimates –<br>CCR §2695.8(f) [CIC §790.03(h)(3)]   | NO                                       | 5                                |
| Compliance with requirements to warrant non-original equipment crash parts –<br>CCR §2695.8(g)(3) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to explain in writing any adjustments due to depreciation –<br>CCR §2695.8(i) [CIC §790.03(h)(3)]   | NO                                       | 6                                |
| Compliance with requirements not to cap or limit amount paid for paint and material –<br>CIC §758.6 [CIC §790.03(h)(5)]  | YES                                      | --                               |
| Compliance with requirements to explain clearly in the policy that labor may be depreciated –<br>CCR §2695.8(j) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to issue payment of agreed repair amount within 10 days –<br>CIC §560 [CIC §790.03(h)(5)]   | YES                                      | --                               |
| Compliance with requirements to provide reasonable notice to the claimant before terminating the payment for storage charges –<br>CCR §2695.8(k) [CIC §790.03(h)(3)]                                     | YES                                      | --                               |
| Compliance with requirements to fully itemize and explain in writing to the claimant how the actual cash value (ACV) of the total loss vehicle was determined –<br>CCR §2695.8(b)(4) [CIC §790.03(h)(3)] | YES                                      | --                               |

| <b>AREAS OF REVIEW</b>  |  |                                  |
|---|--|----------------------------------|
| <b>SPECIFIC ISSUE REVIEWED</b>  | <b>INDICATION OF COMPLIANCE (YES/NO)</b> | <b>SUMMARY OF RESULTS ITEM #</b> |
| Compliance with requirements to include in the salvage settlement amount the sales tax, one-time transfer fee, pro-rata license fee and other annual fees –<br>CIC §2695.8(b)(1) [CIC §790.03(h)(5)]  | YES                                      | --                               |
| Compliance with requirements to forward a properly endorsed certificate of ownership to the California Department of Motor Vehicles within 10 days –<br>CVC §11515(a) [CIC §790.03(h)(3)]   | YES                                      | --                               |
| Compliance with requirements to include in its total loss settlement the sales tax and the fees incidental to transfer to salvage status –<br>CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to obtain an actual total loss salvage bid from salvage pool, salvage dealer, wholesale motor vehicle auction or dismantler to determine the salvage value of the total loss vehicle –<br>CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]   | YES                                      | --                               |
| Compliance with requirements to provide the identification information of the potential salvage buyer –<br>CCR §2695.8(b)(1)(A) [CIC §790.03(h)(3)]   | YES                                      | --                               |
| Compliance with requirements to fully itemize and explain total loss settlement offers in writing –<br>CCR §2695.8(b)(4) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to notify the insured that if within 35 days after the gross settlement of the total loss, the insured is unable to purchase a comparable vehicle, the Company will re-open the claim –<br>CIC §2695.8(c) [CIC §790.03(h)(3)]  | NO                                       | 7                                |
| Compliance with requirements to disclose in writing that the owner must notify DMV of salvage retention; that notice to DMV may affect the vehicle's future resale value; and that the owner may seek refund of unused license fees from the DMV –<br>CIC §2695.8(b)(1)(A); CVC §11515(b) [CIC §790.03(h)(3)] | YES                                      | --                               |

| <b>AREAS OF REVIEW</b>   |  |                                  |
|--|--|----------------------------------|
| <b>SPECIFIC ISSUE REVIEWED</b>   | <b>INDICATION OF COMPLIANCE (YES/NO)</b> | <b>SUMMARY OF RESULTS ITEM #</b> |
| Compliance with requirements to obtain all of the documentation prior to the settlement of a vehicle theft required in –<br>CIC §1871.3(a) [CIC §790.03(h)(3)]   | YES                                      | --                               |
| Compliance with requirements to advise the insured of the option of having the claim form signed in the presence of the agent, broker, adjuster or other claims representative –<br>CIC §1871.3(b) [CIC § 790.03(h)(3)]  | NO                                       | 8                                |
| Compliance with requirements to retain for at least three years a legible copy of the police report of a vehicle theft –<br>CIC §1871.3(d)(3)(1) [CIC § 790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to advise the insured in writing whether subrogation will be pursued –<br>CCR §2695.7(p) [CIC §790.03(h)(3)]  | YES                                      | --                               |
| Compliance with requirements to provide the claimant with a written notice for the applicable statute of limitations at least 60 days before the statute expires for any unsettled bodily injury claim –<br>CCR §2695.7(f) [CIC §790.03(h)(15)]                    | NO                                       | 9                                |
| Compliance with requirements to provide the claimant with a written notice for the applicable statute of limitations at least 30 days before the statute expires for any unsettled uninsured motorist bodily injury claim –<br>CCR §2695.7(f) [CIC §790.03(h)(15)] | NO                                       | 10                               |

| <b>CITED STATUTES AND REGULATIONS</b>     |   |
|---|---|
| <b>Citation</b>                           | <b>Description</b>  |
| CCR §2695.6(b)<br>*[CIC §790.03(h)(3)]    | All licensees shall provide thorough and adequate training regarding the regulations to all their claims agents. Licensees shall certify that their claims agents have been trained regarding these regulations and shall demonstrate compliance with this requirement as outlined in this subsection.  |
| CCR §2695.7(b)(3)<br>*[CIC §790.03(h)(3)] | Upon receiving proof of claim, every insurer, except as specified in subsection 2695.7(b)(4) below, shall immediately, but in no event more than forty (40) calendar days later, accept or deny the claim, in whole or in part. The amounts accepted or denied shall be clearly documented in the claim file unless the claim has been denied in its entirety. Written notification pursuant to this subsection shall include a statement that, if the claimant believes all or part of the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance, and shall include the address and telephone number of the unit of the Department which reviews claims practices.  |
| CCR §2695.7(c)(1)<br>*[CIC §790.03(h)(3)] | If more time is required than is allotted in subsection 2695.7(b) to determine whether a claim should be accepted and/or denied in whole or in part, every insurer shall provide the claimant, within the time frame specified in subsection 2695.7(b), with written notice of the need for additional time. This written notice shall specify any additional information the insurer requires in order to make a determination and state any continuing reasons for the insurer's inability to make a determination. Thereafter, the written notice shall be provided every thirty (30) calendar days until a determination is made or notice of legal action is served. If the determination cannot be made until some future event occurs, then the insurer shall comply with this continuing notice requirement by advising the claimant of the situation and providing an estimate as to when the determination can be made. |
| CCR §2695.85(a)<br>*[CIC §790.03(h)(3)]   | Every insurer that issues automobile liability or collision insurance policies shall provide the named insured(s) with an Auto Body Repair Consumer Bill of Rights either at the time of application for an automobile insurance policy, at the time a policy is issued, or following an accident or loss that is reported to the insurer. If the insurer provides the insured with an electronic copy of a policy, the bill of rights may also be transmitted electronically. If the insurer provides the bill of rights following an accident or loss, the insurer shall also provide the bill of rights to the particular insured filing the insurance claim. If the insurer provides the bill of rights at the time of application or policy issuance, all named insureds that have not previously received the bill of rights shall be provided with a copy upon renewal of the policy.                                      |

## CITED STATUTES AND REGULATIONS

| Citation                                       | Description   |
|--|---|
| <p>CCR §2695.8(f)<br/>*[CIC §790.03(h)(3)]</p> | <p>If a partial loss is settled on the basis of a written estimate prepared by or for the insurer, the insurer shall supply the claimant with a copy of the estimate upon which the settlement is based. The estimate prepared by or for the insurer shall be of an amount that will allow for repairs to be made in accordance with accepted trade standards for good and workmanlike automotive repairs by an “auto body repair shop” as defined in section 9889.51 of the Business and Professions Code, and in accordance with the standards of automotive repair required of auto body repair shops as described in the Business and Professions Code and associated regulations, including, but not limited to, Section 3365 of Title 16 of the California Code of Regulations. An insurer shall not prepare an estimate that deviates from the standards, costs, and/or guidelines provided by the third-party automobile collision repair estimating software used by the insurer to prepare the estimate, if such deviation would result in an estimate that would not allow for repairs to be made in accordance with accepted trade standards for good and workmanlike automotive repairs by an auto body repair shop, as described in this subdivision. If the claimant subsequently contends, based upon a written estimate that he or she obtains, that necessary repairs will exceed the written estimate prepared by or for the insurer, the insurer shall:</p> <p>(1) pay the difference between the written estimate and a higher estimate obtained by the claimant; or,</p> <p>(2) if requested by the claimant, promptly provide the claimant with the name of at least one repair shop that will make the repairs for the amount of the insurer's written estimate. The insurer shall cause the damaged vehicle to be restored to its condition prior to the loss at no additional cost to the claimant other than as stated in the policy or as otherwise allowed by law. The insurer shall maintain documentation of all such communications; or,</p> <p>(3) reasonably adjust any written estimates prepared by the repair shop of the claimant's choice and provide a copy of the adjusted estimate to the claimant and the claimant's repair shop. The adjusted estimate provided to the claimant and repair shop shall be either an edited copy of the claimant's repair shop estimate or a supplemental estimate based on the itemized copy of the claimant's repair shop estimate. The adjusted estimate shall identify the specific adjustment made to each item and the cost associated with each adjustment made to the claimant's shop's estimate.</p> |
| <p>CCR §2695.8(i)<br/>*[CIC §790.03(h)(3)]</p> | <p>When the amount claimed is adjusted because of betterment or depreciation, all justification shall be contained in the claim file. Any adjustments shall be discernable, measurable, itemized, and specified as to dollar amount, and shall accurately reflect the value of the betterment or depreciation. This subsection shall not preclude deduction for prior and/or unrelated damage to the loss vehicle. The basis for any adjustment shall be fully explained to the claimant in writing and shall:</p> <p>(1) reflect a measurable difference in market value attributable to the condition and age of the vehicle, and</p> <p>(2) apply only to parts normally subject to repair and replacement during the useful life of the vehicle such as, but not limited to, tires, batteries, et cetera.</p>   |

## CITED STATUTES AND REGULATIONS

| Citation  | Description   |
|---|---|
| <p>CIC §2695.8(c)<br/>*[CIC §790.03(h)(3)]</p>  | <p>In first party automobile total loss claims, every insurer shall provide notice to the insured at the time the settlement payment is sent or final settlement offer is made that if notified by the insured within thirty-five (35) calendar days after the insured receives the claim payment or final settlement offer that he or she cannot purchase a comparable automobile for the gross settlement amount, the insurer will reopen its claim file. If subsequently notified by the insured the insurer shall reopen its claim file and utilize the following procedures:</p> <p>(1) The insurer shall locate a comparable automobile for the gross settlement amount determined by the company at the time of settlement and shall provide the insured with the information required in (c)(4), below, or offer a replacement vehicle in accordance with section 2695.8(b)(4). Any such vehicle must be available in the local market area; or,</p> <p>(2) The insurer shall either pay the insured the difference between the amount of the gross settlement and the cost of the comparable automobile which the insured has located, or negotiate and purchase this vehicle for the insured; or,</p> <p>(3) The insurer shall invoke the appraisal provision of the insurance policy.</p> <p>(4) No insurer is required to take action under this subsection if its documentation to the insured at the time of final settlement offer included written notification of the identity of a specified comparable automobile which was available for purchase at the time of final settlement offer for the gross settlement amount determined by the insurer. The documentation shall include the telephone number (including area code) or street address of the seller of the comparable automobile and:</p> <p>(A) the vehicle identification number (VIN) or,</p> <p>(B) the stock or order number of the vehicle from a licensed dealer, or</p> <p>(C) the license plate number of such comparable vehicle.</p> |
| <p>CIC §1871.3(b)<br/>*[CIC § 790.03(h)(3)]</p> | <p>For purposes of complying with the requirements of subdivision (a), the insured shall do either of the following:</p> <p>(1) Sign the claim form in the presence of the insurance agent, broker, adjuster, or other claims representative, who shall verify the driver's license number of the insured who is signing the claim form.</p> <p>(2) Submit a claim form with a notarized signature.</p>   |
| <p>CCR §2695.7(f)<br/>*[CIC §790.03(h)(15)]</p> | <p>Except where a claim has been settled by payment, every insurer shall provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. Such notice shall be given to the claimant not less than sixty (60) days prior to the expiration date; except, if notice of claim is first received by the insurer within that sixty days, then notice of the expiration date must be given to the claimant immediately. This subsection shall not apply to a claimant represented by counsel on the claim matter.</p>   |

| <b>CITED STATUTES AND REGULATIONS</b>   |   |
|---|---|
| <b>Citation</b>                         | <b>Description</b>  |
| CCR §2695.7(f)<br>*[CIC §790.03(h)(15)] | Except where a claim has been settled by payment, every insurer shall provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. With respect to a first party claimant in a matter involving an uninsured motorist, this notice shall be given at least thirty (30) days prior to the expiration date; except, if notice of claim is first received by the insurer within that thirty days, then notice of the expiration date must be given to the claimant immediately. This subsection shall not apply to a claimant represented by counsel on the claim matter. |

**\*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 its insurance policies. |
| CIC §790.03(h)(15) | The Company misled a claimant as to the applicable statute of limitations.   |

## SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the practices, within the scope of this report, that were alleged to be non-compliant during the course of this limited examination. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq.

In response to each of the Department's allegations of non-compliance, the Company was 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 and maintained.

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 it is reviewing the regulation for every State in which it writes and will work to ensure that it is in compliance with those regulations.

Within the scope of this report, there were no claims recoveries or return premium as a result of the issues described in this report.

### **COMMERCIAL AUTOMOBILE**

1. SIC reported that it did not provide the required training to its claims adjusters and as a result it did not complete the certification for the Commercial Auto line of business, as required on or before September 1 of each calendar year for this examination review period. The Department alleges this act is in violation of CCR §§2695.6(b) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford has conducted the required training with its claims handling staff on April 29, 2015 and regular training has been scheduled to meet the requirements of the California regulations. Stratford provided to the Department a copy of the certification signed by the principal of the Company dated April 29, 2015.

2. SIC reported that the claims denial letters failed to conform to the requirements of Regulation. The denial letters lacked the statement, “if the claimant believes all or part of the claim has been wrongfully denied or rejected, he or she may have that matter reviewed by the California Department of Insurance”. The letters also failed to include the address of the unit of the Department which reviews claims. 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 Company Response:** Stratford has added the required disclosure language and the address of the unit of the Department to its partial and full denial letters effective April 20, 2015. The Company provided to the Department copies of the denial letters on April 24, 2015.

3. During the examination review period SIC failed to send the required written notice that provides for extended time to evaluate whether a claim should be accepted and/or denied every 30 calendar days for all its claim files. 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 Company Response:** Stratford indicated that it has retrained its claims handling staff on this requirement in a meeting conducted on May 18, 2015. The Company will monitor compliance on a going forward basis.

4. During the examination review period SIC failed to provide the insured with “The Auto Body Repair Consumer Bill of Rights” as a separate standardized document, either at the time of application for an automobile insurance policy, at the time a policy was issued, or following an accident or loss that was reported to SIC for all its claim files. The Department alleges this act is in violation of CCR §2695.85(a) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford indicated that effective April 15, 2015, The Auto Body Repair Consumer Bill of Rights is being attached to every California commercial auto policy at the time it is issued.

5. During the examination review period SIC failed to provide some claimants with copies of the repair estimate and supplemental estimates that are the basis of the claims settlement. The Department alleges this act is in violation of CCR §2695.8(f) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford indicated that it has retrained its claims handling staff on this requirement in a meeting conducted on May 18, 2015, and

has included this requirement in its Adjuster Assignment Instructions. The Company will monitor compliance on a going forward basis.

6. SIC reported that it failed to fully explain, in writing to the claimant, the basis for any adjustments made to the amount claimed because of betterment or depreciation. The Department alleges this act is in violation of CCR §2695.8(i) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford indicated that it has revised its procedures effective May 29, 2015 to include this requirement. The Company provided the Department with a copy of the revised procedure on June 2, 2015.

7. SIC reported that it failed to provide notice to the insured that if within 35 days after the gross settlement of the total loss, the insured is unable to purchase a comparable vehicle, the Company will re-open the claim. The Department alleges this act is in violation of CCR §2695.8(c) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford indicated that it has revised its procedures effective June 5, 2015 to include the notification on every California first party automobile total loss settlement check. The Company provided the Department with a copy of the notification language on June 2, 2015.

8. SIC reported that it failed to advise its insureds of the option of having the claim form signed in the presence of the agent, broker, adjuster, or other claims representative in lieu of requiring a theft affidavit to be notarized. The Department alleges this act is in violation of CIC §1871.3(b) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company Response:** Stratford indicated that it has retrained its claims handling staff on this requirement in a meeting conducted on May 18, 2015, and has revised its procedures effective immediately.

9. During the examination review period SIC failed to provide some bodily injury claimants with a written notice for the applicable statute of limitations at least 60 days before the statute expires. The Department alleges this act is in violation of CCR §2695.7(f) and is an unfair practice under CIC §790.03(h)(15).

**Summary of Company Response:** Stratford indicated that it has re-trained its claims handling staff on this requirement in a meeting conducted on May 18, 2015, and effective May 28, 2015 has implemented the new Bodily Injury Statute of Limitations form letter to be sent to claimants. The Company will monitor compliance on a going forward basis.

10. During the examination review period SIC failed to provide some uninsured motorist bodily injury claimants with a written notice for the applicable statute of limitations at least 30 days before the statute expires. The Department alleges this act is in violation of CCR §2695.7(f) and is an unfair practice under CIC §790.03(h)(15).

**Summary of Company Response:** Stratford indicated that it has re-trained its claims handling staff on this requirement in a meeting conducted on May 18, 2015, and effective May 28, 2015 has implemented the new Uninsured Motorist Bodily Injury Statute of Limitations form letter to be sent to claimants. The Company will monitor compliance on a going forward basis.