

**[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**

**CALIFORNIA MUTUAL INSURANCE COMPANY
NAIC #27480 CDI #0846-6**

AS OF JANUARY 31, 2016

ADOPTED APRIL 27, 2016

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.

TABLE OF CONTENTS

SALUTATION	1
FOREWORD.....	2
SCOPE OF THE EXAMINATION.....	3
EXECUTIVE SUMMARY	4
RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS	5
DETAILS OF THE CURRENT EXAMINATION	6
SUMMARY OF EXAMINATION RESULTS	9

DEPARTMENT OF INSURANCE

Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814



April 27, 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 the California Insurance Code 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, a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

California Mutual Insurance Company
NAIC #27480
Group NAIC #0000

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

This limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's Commercial Multiple Peril line of business during the period February 1, 2015 through January 31, 2016. 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 2695.1 et seq. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695.1 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 February 1, 2015 through January 31, 2016; a review of reports on the previous CDI market conduct examination 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 Sacramento, 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 were no alleged violations or findings of non-compliance within the scope of this report.

California Mutual Insurance Company reported \$3,274,749 in written premiums on Commercial Multiple Peril business in California during 2015. The Company closed 24 Commercial Multiple Peril claims during 2015.

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

The market analysis did not identify any specific issues of concern within the scope of this report.

Within the scope of this report, there were no specific areas of concern identified in the complaint review.

The previous examination was completed by the Field Claims Bureau and reviewed the period from April 1, 2003 through March 31, 2004. There were no specific areas of concern identified during the previous examination.

The Company was not the subject of a prior enforcement action by the California Department of Insurance.

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 2695.1 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.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Certification of claims training by a principal – CCR §2695.6(b) [CIC §790.03(h)(3)]	YES	--
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	--
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	--
Compliance of letters and forms – CIC §1879.2(a) and CIC §880 [CIC §790.03(h)(3)]	YES	--
Compliance with requirements for acknowledgement of claims CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	--
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	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with requirement to disclose benefits – CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	--
Compliance with requirements to respond to communication – CCR §2695.5(b) [CIC §790.03(h)(2)]	YES	--
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)]	YES	--
Compliance with requirements not to require repairs by a specific individual or entity – CCR §2695.9(b) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements to suggest repairs by a specific individual or entity only when requested by insured – CCR §2695.9(c)(1) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements to advise the insured in writing of the right to select a repair individual or entity – CCR §2695.9(c)(2) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements to supply insureds with repair estimates – CCR §2695.9(d) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements to include sales tax in settlement of property – CCR §2695.7(g) [CIC §790.03(h)(5)]	YES	--
Compliance with requirements not to apply depreciation to the expense of labor – CCR §2695.9(f)(1) [CIC §790.03(h)(5)]	YES	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with requirements that adjustments be discernable, measurable, itemized and specified in the file – CCR §2695.9(f) [CIC §790.03(h)(3)]	*YES	
Compliance with requirements that depreciation apply only to property normally subject to repair and replacement – CCR §2695.9(f) [CIC §790.03(h)(5)]	*YES	
Compliance with requirements to explain in writing any adjustments due to depreciation – CCR §2695.9(f) [CIC §790.03(h)(3)]	*YES	
Compliance with requirements to tender payment within 30 days – CCR §2695.7(h) [CIC §790.03(h)(5)]	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)]	YES	--
Compliance with requirements to notify insured in writing whether subrogation will be pursued – CCR §2695.7(p) [CIC §790.03(h)(3)]	YES	--

*The Company reported no instances of adjustments for depreciation or betterment taken in claim files during the review period of February 1, 2015 through January 31, 2016.

SUMMARY OF EXAMINATION RESULTS

There were no alleged violations or criticisms of the Company's practices made within the scope of this report. There were no recoveries discovered within the scope of this report.