

**[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**

**COAST NATIONAL INSURANCE COMPANY
NAIC # 25089 CDI # 3112-0**

AS OF JUNE 30, 2018

ADOPTED APRIL 22, 2019

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.

TABLE OF CONTENTS

FOREWORD	1
SCOPE OF THE EXAMINATION	2
EXECUTIVE SUMMARY	4
DETAILS OF THE CURRENT EXAMINATION	5
TABLE OF TOTAL ALLEGED VIOLATIONS	6
SUMMARY OF EXAMINATION RESULTS	9

FOREWORD

This 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 responses, if any, have not undergone a formal administrative or judicial process.

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).

SCOPE OF THE EXAMINATION

Under the authority granted in Part 2, Chapter 1, Article 4, Sections 730, 733, and 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 claim handling practices and procedures in California of:

**Coast National Insurance Company
NAIC # 25089**

Group NAIC # 0069

Hereinafter, the Company listed above also will be referred to as CNIC or the Company. The California Department of Insurance will be referred to as CDI or the Department.

This examination covered the claim handling practices of the aforementioned Company on non-standard private passenger automobile claims closed during the period from July 1, 2017 through June 30, 2018. 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.

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, and if any, a review of consumer complaints and inquiries about this Company closed by the CDI during the period July 1, 2017 through June 30, 2018, a review of previous CDI market conduct claims examination reports on this Company, and a review of prior CDI enforcement actions.

The review of the sample of individual claim files was conducted at the offices of the CDI in San Francisco, and Los Angeles, California.

EXECUTIVE SUMMARY

The non-standard private passenger automobile claims reviewed were closed from July 1, 2017 through June 30, 2018, referred to as the “review period”. In addition to the closed claims, the Department reviewed policies that were rescinded during the review period.

The examiners randomly selected 235 claim files and seven rescission files for examination. The examiners cited 51 alleged claims handling violations of the California Insurance Code and the California Code of Regulations from this sample file review.

Findings of this examination included the failure to supply the claimant with a copy of the estimate upon which the settlement was based, failure to provide written notice of the need for additional time every 30 days, and the failure to ask whether a child passenger restraint system was in use or damaged in an accident.

DETAILS OF THE CURRENT EXAMINATION

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

COAST NATIONAL SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Private Passenger Automobile / Collision	16,819	61	18
Private Passenger Automobile / Comprehensive	2,599	9	1
Private Passenger Automobile / Bodily Injury	4,947	16	0
Private Passenger Automobile / Property Damage	16,960	54	23
Private Passenger Automobile / Medical Payments	675	25	0
Private Passenger Automobile / Uninsured Motorist Bodily Injury	619	48	7
Private Passenger Automobile / Uninsured Motorist Property Damage	286	22	2
Private Passenger Automobile / Policy Rescissions	7	7	0
TOTALS	42,912	242	51

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	COAST NATIONAL
CCR §2695.8(f) *[CIC §790.03(h)(3)]	The Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.	11
CCR §2695.7(c)(1) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of the need for additional time every 30 calendar days.	9
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 the accident or was in the vehicle at the time of a loss that was covered by the policy, or failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system.	5
CCR §2632.13(e)(1) *[CIC §790.039h)(3)]	The Company failed to provide written notice to the insured of the determination that the driver was principally at fault for the accident.	4
CCR §2695.7(d) *[CIC §790.03(h)(3)]	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation.	4
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.	3
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.	3
CCR §2695.4(a) *[CIC §790.03(h)(1)]	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	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 §2632.13(c)(4) *[CIC §790.03(h)(3)]	The Company failed to accurately determine whether the insured was principally at-fault for an accident.	1
CCR §2695.7(b)(3) *[CIC §790.03(h)(3).]	The Company failed to respond to a communication within 15 calendar days.	1
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 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.	1

Citation	Description of Allegation	COAST NATIONAL
CR §2695.8(b)(4) *[CIC §790.03(h)(3)]	The Company failed to fully itemize in writing the determination of the cost of a comparable vehicle.	1
CCR §2695.7(h) *[CIC §790.03(h)(5)]	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. [The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.]	1
CCR §2695.8(k) *[CIC §790.03(h)(5)]	The Company failed to pay the reasonable towing and storage charges incurred by the claimant.	1
CCR §2695.8(k) *[CIC §790.03(h)(3)]	The Company failed to provide reasonable notice to a claimant before terminating payment for storage charges.	1
CIC §790.03(h)(1)	The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.	1
Total Number of Alleged Violations		51

***DESCRIPTIONS OF APPLICABLE
UNFAIR CLAIMS SETTLEMENT PRACTICES**

- CIC §790.03(h)(1) The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.
- 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

<p align="center">PRIVATE PASSENGER AUTOMOBILE</p> <p align="center">2016 Written Premium: \$238,083,760 2017 Written Premium: \$215,482,449</p> <p align="center">AMOUNT OF RECOVERIES \$11,605.63</p>	<p align="center">NUMBER OF ALLEGED VIOLATIONS</p>
CCR §2695.8(f)[CIC §790.03(h)(3)]	11
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	9
CIC §11580.011(e) [CIC §790.03(h)(3)]	5
CCR §2632.13(e)(1) [CIC §790.039h)(3)]	4
CCR §2695.7(d) [CIC §790.03(h)(3)]	4
CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	3
CCR §2695.7(g) [CIC §790.03(h)(5)]	3
CCR §2695.4(a) [CIC §790.03(h)(1)]	2
CCR §2695.7(b) CIC §790.03(h)(4)	2
CCR §2695.8(k) [CIC §790.03(h)(5)]	2
CCR §2632.13(c)(4) [CIC §790.03(h)(3)]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3).]	1
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
CCR §2695.7(h) [CIC §790.03(h)(5)]	1
CR §2695.8(b)(4) [CIC §790.03(h)(3)]	1
CIC §790.03(h)(1)	1
<p align="center">SUBTOTAL</p>	<p>51</p>

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 should address corrective action for other jurisdictions when applicable.

Money recovered within the scope of this report was \$11,605.63 as described in section numbers 3, 5, 7, 10, 14, and 17 below.

PRIVATE PASSENGER AUTOMOBILE

1. **In 11 instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement was based.** Of the 11 instances, three involved the original estimate and eight involved supplemental estimates. The Department alleges these acts are in violation of CCR §2695.8(f) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. Regarding the three instances involving the original estimate, the Company considers these oversights. Regarding the supplemental estimates, the appraisers' procedure was to leave a copy of the supplemental estimate with the shop who would then supply a copy to the claimant. A procedure is now in place that the Company is providing a copy directly to the claimant, and claim files are documented as to how the estimate was provided.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership

team began monitoring the progress of claims to identify potential non-compliance situations.

2. In nine instances, the Company failed to provide written notice of the need for additional time every 30 calendar days. 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 these findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

3. In five instances, the Company failed to ask if a child passenger restraint system was in use by a child during the accident or was in the vehicle at the time of a loss that was covered by the policy, or failed to reimburse the claimant for the cost of purchasing a new child passenger restraint system. 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, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. The Company attributes these instances to adjuster errors and not indicative of a business practice. The Company reopened these claims and issued payments totaling \$908.86.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the requirements of this statute. This included a reminder of those circumstances where the claimant should be reimbursed for a child safety seat which was in the vehicle at the time of the loss, and the importance of properly documenting the action that was taken. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

4. In four instances, the Company failed to provide written notice to the insured of the determination that the driver was principally at fault for the accident. The Department alleges these acts are in violation of CCR §2632.13(e)(1) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. The Company attributes these instances to adjuster errors and not indicative of a business practice. The Company reopened each of these four claims and issued a principally at-fault letter to each insured.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

5. In four instances, the Company failed to conduct and diligently pursue a thorough, fair and objective investigation. Of the four instances, two involved excessive gaps in activity, one involved a liability determination that was made without investigating the circumstances of the accident, and one involved a claim that was closed that should have gone into subrogation. The Department alleges these acts are in violation of CCR §2695.7(d) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. The Company reopened the claim that had not been subrogated, contacted the adverse insurer, and made a partial recovery. The Company paid the insured her pro rata share of \$17.70.

In August 2018, the Company addressed this issue with the leadership team, and in November 2018 team meetings were conducted to reinforce the issue with the claim handlers. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

6. In three 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. Of the three instances, two involved partial denials that were not in writing, and one involved a written denial that did not reference the specific policy provision that applied. 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, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. On August 28, 2018, the managers and

supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

7. In three instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. Of the three instances,

- a. One involved a total loss settlement amount that had been agreed upon, however, the payment was deficient by \$80.12.
- b. One involved a vehicle that was initially considered repairable and payment was issued. After it was determined that the vehicle was a total loss, the initial payment was returned to the Company. The total loss settlement was reduced by the amount of the first payment.
- c. One involved an inaccurate salvage value that was subtracted from a total loss settlement.

The Department alleges these acts are in violation of CCR §2695.7(g) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. The Company reopened the claims and paid a total of \$2,840.73.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

8. In two instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges these acts are in violation of CCR §2695.4(a) and are unfair practices under CIC §790.03(h)(1).

Summary of the Company's Response: The Company acknowledges the findings, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be

conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

9. In two 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, but does not agree that it violated CIC §790.03(h) or that these instances rise to the level of an unfair claims practice. In August 2018, the Company addressed this issue with the leadership team, and in November 2018, team meetings were conducted to reinforce the issue with the file handlers. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

10. In one instance, the Company failed to accurately determine whether the insured was principally at-fault for an accident. A driver shall not be considered principally at-fault for an accident under certain circumstances, one of which is if the driver's vehicle was damaged as a result of contact with a vehicle operated by a "hit and run" operator of another vehicle and the accident was reported to legal authorities shortly thereafter. The Department alleges this act is in violation of CCR §2632.13(c)(4) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. The Company reopened the claim, reconsidered the at fault determination, contacted the insured and settled the Uninsured Motorist Bodily Injury claim for \$3,500.00.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

11. In one instance, the Company failed to respond to communications within 15 calendar days. 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 the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

12. In one instance, the Company failed to include a statement in its claim denial 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. 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 acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

13. In one instance, the Company failed to fully itemize in writing the determination of the cost of a comparable vehicle. The Department alleges this act is in violation of CCR §2695.8(b)(4) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. In August 2018, the Company addressed this issue with the leadership team, then in November 2018, team meetings were conducted to reinforce the issue with the file handlers. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

14. In one instance, the Company failed to pay the reasonable towing and storage charges incurred by the claimant. The Department alleges this act in violation of CCR §2695.8(k) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to

the level of an unfair claim practice. The Company reopened the claim and paid an additional \$320.48.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

15. In one instance, the Company failed to provide reasonable notice to a claimant before terminating payment for storage charges. The Department alleges this act is in violation of CCR §2695.8(k) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

16. In one instance, the Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue. The Company advised the insured that if he is notified that the stolen vehicle has been recovered, he must advise the company as soon as possible and that only five days of storage will be paid. According to CCR §2695.8(k), the Company shall pay reasonable and necessary towing and storage charges incurred. The Department alleges this act is in violation of CIC §790.03(h)(1).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice.

Regardless, on August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.

17. In one instance, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days. The insured advised that she could not

afford to pay the deductible and the claim was closed without payment. The Department alleges this act is in violation of CCR §2695.7(h) and is an unfair practice under CIC §790.03(h)(5).

Summary of the Company's Response: The Company acknowledges the finding, but does not agree that it violated CIC §790.03(h) or that this instance rises to the level of an unfair claim practice. The claim file documents that the insured specifically expressed that she did not want payment made until she had time to raise the deductible and decide upon a repair facility.

In other such cases procedure is to issue payment in the name of the insured and the lienholder, or the insured and the body shop. If there is no lienholder and the insured has not chosen a body shop, payment is issued to the insured. On August 29, 2018, the Company contacted the insured who advised that she still has not chosen a body shop. As a result, the Company issued payment in the amount of \$4,017.86 naming the insured and the lienholder as payees.

On August 28, 2018, the managers and supervisors conducted team meetings to reinforce the importance of this issue. The Company will also incorporate this issue into the refresher training sessions that will be conducted annually with all claim handlers on or before September 1 of each calendar year. In addition, in March 2019 the leadership team began monitoring the progress of claims to identify potential non-compliance situations.