

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS  
PRACTICES OF THE  
**NATIONAL INTERSTATE INSURANCE COMPANY**  
**NAIC # 32620 CDI # 4354-7**

AS OF JUNE 30, 1999

**STATE OF CALIFORNIA**



**DEPARTMENT OF INSURANCE**

**TABLE OF CONTENTS**

SALUTATION.....1

SCOPE OF THE EXAMINATION.....2

CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS.....3

TABLE OF TOTAL CITATIONS.....4

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS  
AND TOTAL RECOVERIES.....5

**CALIFORNIA DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Market Conduct Bureau, 11th Floor  
Ronald Reagan State Office Building  
300 South Spring Street  
Los Angeles, CA 90013



July 12, 2001

The Honorable Harry W. Low  
Insurance Commissioner  
State of California  
45 Fremont Street  
San Francisco, California 94105

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 practices and procedures in California of:

**National Interstate Insurance Company**

**NAIC #32620**

Hereinafter referred to as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938.

## **SCOPE OF THE EXAMINATION**

The examination covered the claims handling practices of the aforementioned Company during the period July 1, 1998, through June 30, 1999. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

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 fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the office of the Department of Insurance in San Francisco, California.

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 only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer’s proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

The alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

## CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The Market Conduct examiners reviewed files drawn from the category of Closed Claims for the period July 1, 1998, through June 30, 1999, commonly referred to as the “review period”. The examiners reviewed 84 National Interstate Insurance Company Personal Automobile (PA) and Commercial Automobile (CA) insurance claim files. The Market Conduct examiners cited nine claims handling violations of the Fair Claims Practices Regulations and/or the California Insurance Code.

<b>National Interstate Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
PA Collision	0	0	4
PA Comprehensive	54	18	0
PA Property Damage	9	2	0
PA Bodily Injury	1	1	0
CA Collision	36	14	2
CA Comprehensive	8	5	0
CA Property Damage	96	17	0
CA Bodily Injury	62	12	3
CA Uninsured Motorist Bodily Injury	9	3	0
<b>TOTALS</b>	275	72	9

**TABLE OF TOTAL CITATIONS**

<b>Citation</b>	<b>Description</b>	<b>National Interstate Insurance Company</b>
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty calendar days.	3
CCR §2695.3(a)	The Company’s claim file failed to contain all documents, notes and work papers which pertain to the claim.	2
CCR §2695.4(a)	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy	1
CCR §2695.7(b)(3)	The Company failed to include a statement in their 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.	1
CCR §2695.7(f)	The Company failed to provide written notice of any statute of limitation or other time period requirement not less than sixty days prior to the expiration date.	1
CCR §2695.8(f)	The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.	1
<b>Total Citations</b>		9

## **SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

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(s) that has or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries resulting from the criticisms cited in this report.

**1. The Company failed to provide written notice of the need for additional time every thirty calendar days.** In three instances the Company failed to provide written notice of the need for additional time every thirty calendar days. The Department alleges these acts are in violation of CCR §2695.7(c)(1).

**Company Response:** The Company's training and procedures currently require that all claimants be advised in writing of the need for additional time. The company intends to supplement this training with an annual memo reminding staff who handle California claims that such notice is required. Furthermore, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.

**2. The Company failed to properly document claim files.** In two instances the Company's files failed to contain all documents, notes and work papers. The Department alleges these acts are in violation of CCR §2695.3(a).

**Company Response:** The company believed in both cases that an automobile repair estimate had been provided to the claimant, but that the file had not been documented properly. The company's training and procedures currently require that all claimants be provided with copies of estimates on which settlements are based and that this be documented in the file. In addition, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.

**3. The Company failed to disclose all policy provisions.** In one instance the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges this act is in violation of CCR §2695.4(a).

**Company Response:** The Company's training and procedures currently require that all benefits, coverage, and time limits be discussed and documented in the file. The Company intends to supplement this training with an annual memo reminding staff who handle California claims that such matters be discussed and documented. Furthermore, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.

**4. The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.** In one instance the Company failed to include a statement in their 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).

**Company Response:** The Company's training and procedures currently require that all denial letters to claimants include the right to a California Department of Insurance review. The Company intends to supplement this training with an annual memo reminding staff who handle California claims that such right to review be included in all denial letters. Furthermore, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.

**5. The Company failed to provide written notice of any statute of limitation sixty days prior to the expiration date.** In one instance the Company failed to provide written notice of any statute of limitation or other time period requirement not less than sixty days prior to the expiration date. The Department alleges this act is in violation of CCR §2695.7(f).

**Company Response:** The Company's training and procedures currently require that all claimants be advised in writing of the applicable statute of limitations. The Company intends to supplement this training with an annual memo reminding staff who handle California claims that such notice is required. Furthermore, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.

**6. The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.** In one instance the Company failed to supply the claimant with a copy of the estimate upon which the settlement is based. The Department alleges this act is in violation of CCR §2695.8(f).

**Company Response:** The Company's training and procedures currently require that all claimants be provided with copies of automobile repair estimates upon which settlements are based. The Company intends to supplement this training with an annual memo reminding staff who handle California claims that estimates to be provided to claimants when the settlement is based upon the estimate and that the file should be documented accordingly. Furthermore, supervisors and managers of representatives who handle California claims will be directed to review files for compliance with this regulation as part of their regular file review procedures.