

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

SABLE INSURANCE COMPANY
NAIC # 10823 CDI # 4456-0

AS OF JUNE 30, 1999

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

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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



August 21, 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:

Sable Insurance Company

NAIC #10823

Hereinafter referred to as SIC or 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) 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 Company's claims office in Los Angeles, CA.

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 102 Sable Insurance Company claim files that consisted of 9 Allied Lines (AL) files, 72 Commercial Auto (CA), files, and 21 General Liability (GL), files. The Market Conduct examiners cited 54 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code section 790.03.

Sable Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
AL Allied Lines	11	9	5
CA Commercial Auto	134	72	37
General Liability	21	21	12
TOTALS	166	102	54

TABLE OF TOTAL CITATIONS		
Citation	Description	SIC
CCR §2695.8(i)	The Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation.	9
CCR §2695.8(f)	The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.	9
CCR §2695.5(e)(3)	The Company failed to begin investigation of the claim within fifteen calendar days.	6
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.	5
CCR §2695.8(k)	The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing.	4
CCR §2695.3(a)	The Company's claim file failed to contain all documents notes and work papers which pertain to the claim.	3
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	3
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.	3
CCR §2695.7(h)	Upon acceptance of the claim the Company failed to tender payment within thirty calendar days.	2
CCR §2695.8(b)(1)	The Company failed to include in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.	2
CCR §2695.5(e)(2)	The Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days.	1
CIC §790.03(h)(5)	The Company did not attempt in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear.	1
CCR §2695.5(e)(1)	The Company failed to acknowledge notice of claim within fifteen calendar days.	1
CCR §2695.7(b)	The Company failed, upon receiving proof of claim, to accept or deny the claim within forty calendar days.	1
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty calendar days.	1
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	1
CCR §2695.6(b)	The Company failed to provide thorough and adequate training regarding these regulations to all their claims agents.	1
CCR §2695.6(c)(4)	The Company failed to maintain a copy of the certification required by CCR § 2695.6(b)(1)(2) or (3) at the principal place of business.	1
Total Citations		54

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 notification to a first party claimant as to whether the insurer intends to pursue subrogation. In nine instances the Company failed to provide written notification to a first party claimant as to whether the insurer intends to pursue subrogation of the claim. The Department alleges these acts are in violation of CCR § 2695.8(i).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

2. The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based. In nine instances the Company failed to supply the claimant with a copy of the estimate upon which the settlement is based. The Department alleges these acts are in violation of CCR § 2695.8(f).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

3. The Company failed to begin investigation of the claim within fifteen calendar days. In six instances the Company failed to begin investigation of the claim within fifteen calendar days. The Department alleges these acts are in violation of CCR § 2695.5(e)(3).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

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 five

instances 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 these acts are in violation of CCR § 2695.7(b)(3).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

5. The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing. In four instances the Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing. The Department alleges these acts are in violation of CCR § 2695.8(k)

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

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

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

7. The Company failed to provide written basis for the denial of the claim. In three instances the Company failed to provide written basis for the denial of the claim. The Department alleges The Department alleges these acts are in violation of CCR § 2695.7(b)(1).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

8. The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. In three instances the Company failed to implement reasonable standards for the prompt processing of claims. The Department alleges these acts are in violation of CIC § 790.03(h)(3).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and

Liquidation Office which oversees claims handling during the liquidation process.

9. Upon acceptance of the claim the Company failed to tender payment within thirty calendar days. In two instances upon acceptance of the claim the Company failed to tender payment within thirty calendar days. The Department alleges The Department alleges these acts are in violation of CCR § 2695.7(h).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

10. The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. In two instances the Company failed to include in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. The Department alleges these acts are in violation of CCR § 2695.8(b)(1).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

11. The Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days. In one instance the Company failed to provide necessary forms, instructions, and reasonable assistance within fifteen calendar days. The Department alleges this act is in violation of CCR § 2695.5(e)(2).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

12. The Company did not attempt in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear. In one instance the Company failed to effectuate equitable settlement of claim. The Department alleges this act is in violation of CIC § 790.03(h)(5).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

13. The Company failed to acknowledge notice of claim within fifteen calendar days. In one instance the Company failed to acknowledge notice of claim within fifteen calendar days. The Department alleges this act is in violation of CCR § 2695.5(e)(1).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

14. The Company failed to accept or deny the claim within forty calendar days. In one instance the Company failed, upon receiving proof of claim, to accept or deny the claim within forty calendar days. The Department alleges this act is in violation of CCR § 2695.7(b).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

15. The Company failed to provide written notice of the need for additional time every thirty calendar days. In one instance the Company failed to provide written notice of the need for additional time every thirty-calendar days. The Department alleges this act is in violation of CCR § 2695.7(c)(1).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

16. The Company failed to respond to communications within fifteen calendar days. In one instance the Company failed to respond to communications within fifteen calendar days. The Department alleges this act is in violation of CCR § 2695.5(b).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process..

17. The Company failed to provide thorough and adequate training regarding these regulations to all their claims agents. The Company failed to provide thorough and adequate training regarding these regulations to all their claims agents. The Department alleges this act is in violation of CCR § 2695.6(b).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.

18. The Company failed to maintain a copy of the certification required by CCR §2695.6(c) (1), (2) or (3) at the principal place of business. The Company failed to maintain a copy of the certification required by § 2695.6 (b) (1), (2) or (3) at the principal place of business. The Department alleges this act is in violation of CCR § 2695.6(c)(4).

Company Response: The Company was placed in liquidation shortly following the file review. Exam criticisms were forwarded to the Conservation and Liquidation Office which oversees claims handling during the liquidation process.