

CIC SECTION 12938 REPORT OF THE MARKET CONDUCT EXAMINATION  
OF THE CLAIMS PRACTICES OF THE

**FIDELITY AND DEPOSIT COMPANY OF MARYLAND**  
**NAIC # 39306 CDI # 2479-4**

AS OF FEBRUARY 28, 2006  
Adopted **February 27, 2008**  
STATE OF CALIFORNIA



**DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT DIVISION**  
**FIELD CLAIMS BUREAU**

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**DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
300 South Spring Street  
Los Angeles, CA 90013



February 27, 2008

The Honorable Steve Poizner  
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:

**Fidelity and Deposit Company of Maryland**

**NAIC # 39306**

**Group NAIC # 0212**

Hereinafter referred to as FDCM, or 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 March 1, 2005 through February 28, 2006. 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), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. The alleged violations of other relevant laws which resulted from this examination are included in a separate report which will remain confidential subject to the provisions of CIC Section 735.5.

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 conducted at the offices of the Company in Rancho Cordova, 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. Failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any 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 examiners reviewed files drawn from the category of Closed Claims for the period March 1, 2005 through February 28, 2006, commonly referred to as the “review period”. The examiners reviewed 133 FDCM claim files. The examiners cited 93 claim handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

<b>Fidelity and Deposit Company of Maryland</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Commercial Automobile / Collision	61	17	7
Commercial Automobile / Comprehensive	3	3	1
Commercial Automobile / Property Damage	67	17	6
Commercial Automobile / Bodily Injury	10	3	2
Commercial Multiple Peril / Property	176	20	20
Commercial Multiple Peril / General Liability	96	20	11
Workers Compensation / Medical	49	20	18
Workers Compensation / Indemnity	32	20	16
Workers Compensation / Denied	16	13	12
<b>TOTALS</b>	510	133	93

<b>TABLE OF TOTAL CITATIONS</b>		
<b>Citation</b>	<b>Description</b>	<b>FDCM</b>
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.	45
CCR §2695.5(e)(2)	The Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.	6
CIC §790.03(h)(5)	The Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.	6
CCR §2695.8(f)	The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.	5
CCR §2695.7(b)	The Company failed, upon receiving proof of claim, to accept or deny the claim within 40 calendar days.	4
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every 30 calendar days.	4
CCR §2695.3(a)	The Company failed to maintain all documents, notes and work papers in the claim file.	3
CCR §2695.7(d)	The Company failed to conduct and diligently pursue a thorough, fair and objective investigation of a claim.	3
CCR §2695.7(f)	The Company failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date.	3
CCR §2695.7(g)	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	3
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	2
CCR §2695.7(h)	The Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.	2
CCR §2695.4(a) General	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	2
CCR §2695.5(b)	The Company failed to respond to communications within 15 calendar days.	1
CCR §2695.5(e)(1)	The Company failed to acknowledge notice of claim within 15 calendar days.	1
CCR §2695.5(e)(3)	The Company failed to begin investigation of the claim within 15 calendar days.	1
CCR §2695.8(g)(3) General	The Company required the use of non-original equipment manufacture replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts.	1
CCR §2695.9(d)	The Company settled the claim on the basis of a written scope and/or estimate without supplying the insured with a copy of each document upon which the settlement is based.	1

<b>TABLE OF TOTAL CITATIONS</b>		
<b>Citation</b>	<b>Description</b>	<b>FDCM</b>
<b>Total Citations</b>		93

**TABLE OF CITATIONS BY LINE OF BUSINESS**

<b>COMMERCIAL AUTOMOBILE</b>	<b>NUMBER OF CITATIONS</b>
CCR §2695.8(f)	5
CCR §2695.7(d)	3
CCR §2695.3(a)	2
CCR §2695.7(f)	2
CCR §2695.7(g)	1
CCR §2695.4(a) General	1
CCR §2695.8(g)(3) General	1
CIC §790.03(h)(3) General	1
<b>SUBTOTAL</b>	<b>16</b>

<b>COMMERCIAL MULTIPLE PERIL</b>	<b>NUMBER OF CITATIONS</b>
CCR §2695.7(b)	5
CCR §2695.7(b)(1)	5
CCR §2695.3(a)	3
CCR §2695.5(e)(2)	3
CCR §2695.7(c)(1)	3
CCR §2695.7(g)	2
CCR §2695.7(h)	2
CCR §2695.5(b)	1
CCR §2695.7(d)	1
CCR §2695.7(f)	1
CCR §2695.9(d)	1
CIC §790.03(h)(3)	1

CIC §790.03(h)(5)	1
CIC §790.03(h)(15)	1
CCR §2695.4(a) General	1
<b>SUBTOTAL</b>	<b>31</b>

<b>WORKERS COMPENSATION</b>	<b>NUMBER OF CITATIONS</b>
CIC §790.03(h)(3)	40
CIC §790.03(h)(5)	6
<b>SUBTOTAL</b>	<b>46</b>

<b>TOTAL</b>	<b>93</b>
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## 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. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. 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. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. As referenced in sections 5, 14, and 25 below, as a result of the examination, the total amount of money returned to claimants within the scope of this report was \$2,190.77.

### **COMMERCIAL AUTOMOBILE**

1. **In five instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.** Specifically, the Company failed to provide claimants with a copy of the repair estimate when the Company's independent adjusters prepared estimates. The Department alleges these acts are in violation of CCR §2695.8(f).

**Summary of Company Response:** The Company provided training to its staff to reinforce the need to make sure that the vehicle owner is provided with a copy of the repair estimate.

2. **In three instances, the Company failed to conduct and pursue a thorough, fair and objective investigation of a claim.** Specifically in two of these instances, the Company failed to conduct a sufficient investigation to support its subrogation recovery of the insured's out-of-pocket claim expenses. In one of these instances, the Company failed to contact an injured claimant during the course of its investigation. The Department alleges these acts are in violation of CCR §2695.7(d).

**Summary of Company Response:** These are isolated instances and are contrary to the Company's best practices. The Company believes these violations are not reflective of its normal business practice. The individual file handlers have been counseled on the importance of a complete, prompt investigation. Investigation was a training topic in the Best Practice training conducted on January 18, 2007, and in the Proactive Claim Resolution training sessions conducted on August 16, 2007, August 23, 2007 and on August 28, 2007.

3. **In two instances, the Company failed to maintain all documents, notes and work papers in the claim file.** In these instances the Company failed to maintain a copy of the repair estimate upon which the settlement was based. The Department alleges these acts are in violation of CCR §2695.3(a).

**Summary of Company Response:** The Company acknowledges these violations and has counseled the involved file handlers regarding the importance of maintaining copies of documents in the file. Repair estimates for vehicles repaired at direct repair shops will be stored electronically.

4. **In two instances, the Company failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date.** The Department alleges these acts are in violation of CCR §2695.7(f).

**Summary of Company Response:** The Company acknowledges these violations, and on March 8, 2007, it conducted training to reinforce compliance with the regulation.

5. **In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low.** Specifically, in this instance the Company failed to include the claimant's out-of-pocket rental expense when payment was made to the claimant's subrogation carrier. The Department alleges this act is in violation of CCR §2695.7(g).

**Summary of Company Response:** The Company acknowledges this violation and has reimbursed the claimant \$154.07 as a result of this finding. This is an isolated instance and is not reflective of the Company's normal claim settlement practice.

6. **In one general instance, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** Specifically, in the Commercial Automobile category, the Company generally failed to disclose deductible amounts, rental coverage benefits and provisions, and failed to disclose liability limits to insured's. The Department alleges this act is in violation of CCR §2695.4(a).

**Summary of Company Response:** It is the Company's best practice to notify the insured of the coverage available, any potential time limits, and other provisions of the policy that may apply to a claim. As a result of this finding, the Company conducted training for its staff on March 8, 2007, to reinforce the Company's best practice to disclose all benefits and coverage available under the policy. Adjusters will be required to carefully document discussions during initial contacts with all parties involved, and to clarify any questions raised.

7. **In one general instance, the Company required the use of non-original equipment manufacturer replacement crash parts without warranting that such parts are of like kind, quality, safety, fitness and performance as original manufacturer replacement crash parts.** The Department alleges this act is in violation of CCR §2695.8(g) (3).

**Summary of Company Response:** The Company acknowledges this violation. As a result of this finding, the Company created a printed warranty which informs customers that the Company agrees to provide a warranty for Non-OEM parts that is equal to the warranty provided by the original equipment manufacturer's warranty for a similar part. A copy of the warranty will be mailed to every auto physical damage customer when a claim is received.

8. **In one general instance, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies.** Specifically, the Company did not have a procedure in place to ensure that customers of its Direct Repair Shop Program were provided with a copy the repair estimate upon which their settlement was based. The Department alleges this act is in violation of CIC §790.03(h)(3).

**Summary of Company Response:** As a result of this finding the Company formalized and distributed a communication bulletin to all auto claims staff outlining the Company's new procedure to provide a copy of the repair estimate to all customers using its Direct Repair Program. In addition, on March 8, 2007, the Company provided training for its claim staff to ensure awareness of the requirement and to confirm the directive is being followed.

## **COMMERCIAL MULTIPLE PERIL**

**9. In five 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).

**Summary of Company Response:** The Company will review this regulation with the adjuster. The Company now requires each adjuster to maintain a chart titled "The California Fair Claims Time Triggers" at their desk to ensure compliance with the regulations. They will tie their diary to trigger dates for compliance on written acceptance or denial notice at 40 calendar days and then every 30 days until resolution of the claim. The Company will monitor performance through Team Manager diaries and quarterly audits.

**10. In five instances, the Company failed to provide the written basis for the denial of the claim.** Specifically, the Company failed to provide the insured with a written partial denial for amounts disallowed in a claim settlement. The Department alleges these acts are in violation of CCR §2695.7(b) (1).

**Summary of Company Response:** It is the Company's best practice to send full and partial declination letters that clearly explain the basis of the denial of coverage referencing pertinent facts and relevant policy provisions. The Company now requires each adjuster to maintain a chart titled "The California Fair Claims Time Triggers" at their desk to ensure compliance with the regulations. They will tie their diary to trigger dates for compliance on written acceptance or denial notice at 40 calendar-days and then every 30 days until resolution of the claim. The Company's procedure to comply with CCR §2695.7(b) (1) will be reinforced through staff training and monthly file audits.

**11. In three instances, the Company failed to maintain all documents, notes and work papers in the claim file.** Specifically, in two of these instances, the Company failed to maintain a copy of the repair estimate in the file for which the settlement was based. In one of these instances, the Company failed to document the basis of a settlement amount in the file. The Department alleges these acts are in violation of CCR §2695.3(a).

**Summary of Company Response:** On April 30, 2007, the Company implemented a new procedure that requires a statement of loss or settlement explanation be documented in the file notes on losses under \$2,500.00, or concluded within 60 days. On claims in excess of \$2,500.00, a statement of loss will be included in a specific report. The Company plans to train

its staff regarding this new procedure by December 31, 2007, and will monitor its compliance through training and periodic audits.

**12. In three instances, the Company failed to provide necessary forms, instructions, and reasonable assistance within 15 calendar days.** The Department alleges these acts are in violation of CCR §2695.5(e) (2).

**Summary of Company Response:** The Company will reinforce Company standards and its best practices to avoid this type of violation in the future. Upon receipt and assignment of all claims, the Company has established a best practice which requires its adjusters to make same day contact with all claimants or involved parties. The Company plans to complete training of its adjusters on how to properly assist claimants by December 31, 2007. Also, adjusters have been trained to provide claimants with any necessary forms, instructions, and assist with the claim handling process. Adjusters have been instructed to follow up with claimants in a pro-active manner to help the claimant resolve their claim in a timely and satisfactory manner. The Company will monitor performance through Team Manager diaries and quarterly audits.

**13. In three instance, the Company failed to provide written notice of the need for additional time every 30 calendar days.** The Department alleges this act is in violation of CCR §2695.7(c) (1).

**Summary of Company Response:** These are isolated instances. The Company now requires each adjuster to maintain a chart titled “The California Fair Claims Time Triggers” at their desk to ensure compliance with the regulations. The Company will monitor performance through Team Manager diaries and quarterly audits.

**14. In two instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low.** Specifically in one instance, the Company reduced an insured’s settlement by applying depreciation when repairs were already complete. In the second instance, the insured was required to run four electric air movers for four days (24 hours per day). When the Company issued payment for the claim it failed to include consideration for the increase in energy cost to run the air movers. As a result of this finding, The Department alleges these acts are in violation of CCR §2695.7(g).

**Summary of Company Response:** These are isolated instances. In the first instance, the Company reimbursed the claimant \$135.10 as a result of this finding. In the second instance, the Company reimbursed the insured \$300.00 for the increased energy cost. The Company provided additional training to its staff. The Company will monitor compliance through supervisory reviews and periodic audits.

**15. In two instances, the Company failed, upon acceptance of the claim, to tender payment within 30 calendar days.** The Department alleges these acts are in violation of CCR §2695.7(h).

**Summary of Company Response:** These are isolated instances. The Company requires each adjuster handling claims in California to know the California Fair Claims regulations. Each

adjuster is required to set a diary to address each California claim to ensure compliance with this regulation. The Company will monitor this through audits and additional training.

**16. 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).

**Summary of Company Response:** This is an isolated instance. The Company requires each adjuster handling claims in California to know the California Fair Claims regulations. Each adjuster is required to set a diary to address each California claim to ensure compliance with this regulation. The Company will monitor this through audits and additional training.

**17. In one instance, the Company failed to conduct and pursue a thorough, fair and objective investigation of a claim.** Specifically, the Company failed to conduct a thorough and timely investigation. The Department alleges this act is in violation of CCR §2695.7(d).

**Summary of Company Response:** The Company acknowledges this isolated instance. The Company plans to provide additional training to its staff to be completed by December 31, 2007, in order to reinforce the adjuster's responsibility to conduct thorough and timely investigations. The Company plans to monitor its staff's performance through quarterly audits.

**18. In one instance, the Company failed to provide written notice of any statute of limitation or other time period requirement not less than 60 days prior to the expiration date.** The Department alleges this act is in violation of CCR §2695.7(f).

**Summary of Company Response:** The Company now requires each adjuster to maintain a chart titled "The California Fair Claims Time Triggers" at their desk to ensure compliance with the regulations. The Company will monitor performance through Team Manager diaries and quarterly audits.

**19. In one instance, the Company settled a claim on the basis of a written scope and/or estimate without supplying the insured with a copy of each document upon which the settlement is based.** The Department alleges this act is in violation of CCR §2695.9(d).

**Summary of Company Response:** This is an isolated instance. Going forward, the Company will provide insureds with a copy of a statement of loss which will detail the amount being paid on the claim and the basis for the payment. It is the Company's practice to provide the insured with a copy of the estimate being used to resolve the claim, if it is different from the estimate provided by the insured. As noted above, in this instance the written estimate was not provided to the insured.

**20. In one instance, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies.** Specifically, the Company failed to use reasonable standards to promptly prepare a scope of the insured's property damage. The Department alleges this act is in violation of CIC §790.03(h) (3).

**Summary of Company Response:** The Company's best practices require file handlers to complete prompt investigations into the facts of the loss and for the extent of the damage. Future compliance will be reinforced through ongoing training and periodic claim file audits.

21. **In one instance, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.** Specifically, the Company failed to pay a claimant's medical bills when liability was clear. The Department alleges this act is in violation of CIC §790.03(h) (5).

**Summary of Company Response:** The Company now requires each adjuster to maintain a chart titled "The California Fair Claims Time Triggers" at their desk to ensure compliance of the regulations. The Company will monitor performance through Team Manager diaries and quarterly audits.

22. **In one instance, the Company misled a claimant as to the applicable statute of limitations.** Specifically, the Company informed a claimant that a three year statute of limitations would apply to a bodily injury claim, instead of two years as prescribed by California Statute. The Department alleges this act is in violation of CIC §790.03(h)(15).

**Summary of Company Response:** The Company acknowledges this isolated instance. However, the Company plans to provide additional training pertaining to the California Fair Claims Regulatory requirements to ensure compliance in the future. Training is expected to be completed by December 31, 2007. The Company will monitor performance through Team Manager diaries and quarterly audits.

23. **In one general instance, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** In the Commercial Multiple Peril category, the Company generally failed to explain policy benefits and failed to disclose pertinent deductibles to insured's. The Department alleges this act is in violation of CCR §2695.4(a).

**Summary of Company Response:** It is the Company's best practice to notify the insured of the coverage available, any potential time limits, and other provisions of the policy that may apply to a claim. As a result of this finding, the Company will conduct training of its staff to reinforce the Company's best practice to disclose all benefits and coverage available under the policy. Adjusters will be required to carefully document discussions during initial contacts with all parties involved, and to clarify any questions raised. Training will be completed by December 31, 2007.

## **WORKERS COMPENSATION**

24. **In 40 instances, the Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims.** The Department alleges these acts are in violation of CIC §790.03(h)(3).

**24(a).** In 16 instances, the Company failed to adequately document its claim files. Specifically in 14 instances, the Company failed to retain copies of Workers' Compensation Claim Form (DWC-1), or did not document that reasonable attempts to obtain the form were made. In one instance, the Company failed to document its file with the DWC-1 form and the Employers First Report of Injury form (5020), or document that reasonable attempts to obtain each form were made. In one instance, the Company failed to document its file with an Employers First Report of Injury form (5020) or document that reasonable attempts to obtain the form were made.

**Summary of Company Response to 24(a):** It is the Company's best practice to send the DWC Form 1 to the injured worker at time of the initial set up of claim. The Company will reinforce this procedure with all adjusters to document files that the form was sent.

As a result of these findings, additional procedures have been implemented. Upon set up of the claim, packets of information are provided to the employee. Each packet includes a DWC-1 form.

As per California Code of Regulations, Title 8, Section 10101.1, if there is no documentation that the DWC-1 was provided by the employer, the Company will ensure that it is provided; or, if the employee did not return the claim form, it will document the date the employer provided the form to the employee. Compliance will be reinforced through training, audits, adjuster diary, and supervisory diary.

**24(b).** In eight instances, the Company failed to send the required benefit notice(s). Specifically, in three instances, the Company failed to send benefit denial notices. In four instances the Company failed to send a benefit delay notice. In one instance, the Company failed to send other required benefit notice(s).

**Summary of Company Response to 24(b):** The Company acknowledges these violations and will evaluate claim assistants' work loads and provide the necessary training to insure claim staff is complying with this Code. Training will be completed by October 15, 2007.

**24(c).** In eight instances, the Company failed to pay or object to medical bills within 60 days of receipt.

**Summary of Company Response to 24(c):** In 2004 the Company implemented an internal bill system to insure that all medical bills are sent to the internal bill system for timely payment. If there are issues relating to a specific provider, or a date of service, the Company will object to the billing in a timely manner. At the time of the exam, reports were generated on a quarterly basis on those files that were not utilizing their internal bill payment system. As a result of the exam, reports will now be generated monthly and an internal audit will be performed to identify areas of opportunities. The Company will continue to provide training to its staff in this area. This change will

ensure the internal bill system is being fully utilized to facilitate prompt payment of medical bills.

In addition, the in-box of the Claims Examiners will be reviewed on a weekly basis to insure that bills are processed for payment or objected to in a timely manner. These new processes will insure that medical bills are paid within 60 days of receipt.

**24(d).** In six instances, the Company failed to send the required benefit notices timely. Specifically, in five of these instances the Company received timely notice of loss from the injured workers employer, but failed to send the required benefit notice timely. In one of these instances, the injured worker's employer failed to provide the Company with timely notification of the claim. In this instance the Company was unable to send the required benefit notice timely.

**Summary of Company Response to 24(d):** The Company acknowledges these violations and a Home Office will conduct quarterly audits to evaluate claim assistants' work loads to ensure staffing is adequate, and will provide the necessary training to staff to ensure compliance with this Code. All will be completed by October 15, 2007.

In addition to the Home Office audit, this aspect the claim process will be thoroughly reviewed during quarterly audits performed by claim supervisors. These audits will allow management to identify training opportunities on an ongoing basis.

**24(e).** In one instance, the Company failed to conduct an adequate investigation. Specifically, the Company informed the injured worker that additional time was needed as medical records were needed to evaluate the claim. The Company failed to order the medical records and subsequently closed its claim without any follow up.

**Summary of Company Response to 24(e):** The Company believes this is an isolated instance and is contrary to the Company's best practice and is not reflective of its normal claim handling.

The Company will ensure that its staff is well aware of the importance of performing an appropriate investigation on all claims. Investigations will have a significant weight in its audit system. In addition to the Home Office audit, this aspect of the claim handling process will be more thoroughly reviewed during quarterly audits performed by claim supervisors. These audits will enable the Company to identify training opportunities to ensure greater consistency in performing adequate investigations. Investigations will be one of the key areas reviewed in both of these audits. It will be further emphasized through the sharing of the audit results and the importance will be reiterated.

**24(f).** In one instance, the Company failed to include all required benefit information. In this isolated instance the Company failed to provide an injured worker with an explanation of benefits in its correspondence.

**Summary of Company Response to 24(f):** The Company believes this was an isolated instance. It is contrary to the Company's best practice and not reflective of its normal claim handling. All employees are trained to send proper timely benefit notices at various times during the year. The Company monitors compliance in this area by conducting self audits each quarter on every employee to verify if benefit notices were proper. Reviews conducted by management at their seven day diary, Head Office Best Practice Open Claim Audits and Closed File Annual Audits also focus on this issue. Deficiencies found in these reviews and audits are addressed with the employee for corrective purposes.

**25. In six instances, the Company failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear.** The Department alleges these acts are in violation of CIC §790.03(h)(5).

**25(a).** In five instances, the Company failed to calculate and pay benefits timely.

**Summary of Company Response to 25(a):** A Home Office audit will be performed quarterly to evaluate claim assistant work loads to ensure staffing is adequate. Additional training will provided to its staff to ensure compliance with this Code. Training will be completed by October 15, 2007.

Also, this aspect of the claim process will be more thoroughly reviewed during quarterly audits performed by claim supervisors. This will allow the Company to identify training opportunities and ensure more consistency in payment of benefits to the employees. This will be one of the key areas reviewed in both audits. Compliance with this code will be further emphasized through the sharing of the audit results and the importance will be reiterated.

Finally, on claims in which indemnity has been set up on the file a diary will be generated for both the adjuster and the team manager. At that time, the notes and document system will be reviewed to ensure that it has been received, reviewed and the benefits calculated accurately.

**25(b).** In one instance, the Company failed after receiving proof of claim to calculate and pay the injured worker for his lost wages.

**Summary of Company Response to 25(b):** The Company acknowledges this violation and believes this was an isolated instance and is contrary to the Company's best practice and not reflective of its normal claim handling. As a result of this finding, the Company reopened its file and paid the injured worker \$1,601.60 for lost wages and self imposed interest.