

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of	)	
Banking and Insurance, State of New Jersey,	)	CONSENT
with respect to CSAA Mid-Atlantic Insurance	)	ORDER
Company of New Jersey (NAIC No: 42960)	)	

TO: CSAA Mid-Atlantic Insurance Company of New Jersey  
3055 Oak Road  
Walnut Creek, California 94597

This matter, having been opened by the Commissioner of Banking and Insurance, of the Department of Banking and Insurance ("Department"), State of New Jersey, upon information that CSAA Mid-Atlantic Insurance Company of New Jersey ("CSAA"), incorporated under the laws of the State of California and admitted to transact property and casualty insurance in New Jersey pursuant to N.J.S.A. 17:17-1 et. seq., may have violated provisions of New Jersey insurance law: and

WHEREAS the Department filed a Market Conduct Examination Report ("Report") containing the results of the examination of CSAA's homeowners claims settlement practices during the period February 1, 2016 to January 31, 2017, performed pursuant to N.J.S.A. 17:23-20 et seq., and

WHEREAS the market conduct examination revealed certain instances where CSAA's practices did not accord fully with various provisions of New Jersey insurance statutes or regulations. These instances, as fully set forth in the Report, are incorporated herein by reference; and

IT FURTHER APPEARING that, as a result of the Department's examination, CSAA has taken or will take corrective measures pursuant to the recommendations contained in the Report to address the instances of nonconformance set forth in the Report, and

IT FURTHER APPEARING that this matter can be resolved upon the consent of the parties to these proceedings without resort to a formal hearing,

NOW, THEREFORE, IT IS on the 28<sup>th</sup> day of November, 2017

ORDERED AND AGREED that the attached Market Conduct Examination Report of CSAA will be adopted and filed as an official record of the Department; and

IT IS FURTHER ORDERED AND AGREED that CSAA will continue to monitor claims settlements activity in order to identify instances of nonconformance with New Jersey insurance statutes and regulations and the recommendations contained in the Report; and

IT IS FURTHER ORDERED AND AGREED that CSAA shall comply with New Jersey insurance statutes and regulations and the recommendations contained in the attached Report; and;

IT IS FURTHER ORDERED AND AGREED that pursuant to N.J.S.A. 17:23-24 d (1), within thirty days of the adoption of this Report, CSAA shall file an affidavit with the Department's Market Conduct Unit, stating under oath that its directors have received a copy of the adopted Report.

  
Peter L. Hart  
Director of Insurance

Consented to as to form, content and entry  
CSAA Mid-Atlantic Insurance Company of New Jersey

By:   
[Signature]

Printed Name: John Richmond

Title: Asst. Secretary

Date: 11/21/17



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
CONSUMER PROTECTION SERVICES  
PO Box 329  
TRENTON, NJ 08625-0329

CHRIS CHRISTIE  
*Governor*

RICHARD BADOLATO  
*Commissioner*

KIM GUADAGNO  
*Lt. Governor*

TEL (609) 292-5316  
FAX (609) 292-5865

PETER L. HARTT  
*Director*

November 30, 2017

Honorable Richard Badolato  
Commissioner of Insurance  
State of New Jersey  
Department of Banking and Insurance  
20 West State Street  
P.O. Box 329  
Trenton, N.J. 08625

Dear Commissioner Badolato,

Pursuant to the authority provided in N.J.S.A. 17:23-20 through 17:23-26 and N.J.S.A. 17:29B-5, and in accordance with your instructions, a market conduct examination of the business practices and affairs was conducted on:

CSAA Mid-Atlantic Insurance Company of New Jersey, NAIC Code 42960  
Domiciled in Hamilton, NJ

hereinafter referred to as "CSAA." The field work for the CSAA examination was conducted in our Trenton, N.J. office. The following report is respectfully submitted on behalf of the examination team. Through a deliberative process, I certify the accuracy of the findings presented herein.

Clifton J. Day, MPA, MCM, CPM, CSM  
Chief of Market Regulation and Consumer  
Protection Services

**MARKET CONDUCT EXAMINATION  
(EXAM TRACKING NUMBER NJ090-20)**

**of the**

**CSAA MID-ATLANTIC INSURANCE COMPANY OF NEW JERSEY  
(NAIC #42960, GROUP# 1278)**

**EXAMINATION OFFICE LOCATION  
20 WEST STATE STREET, TRENTON NEW JERSEY 08625**

**DOMESTIC OFFICE ADDRESS  
700 HORIZON DRIVE, HAMILTON, NJ 08691**

**as of**

**July 20, 2017**

**BY EXAMINERS**

**of the**

**STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF CONSUMER PROTECTION SERVICES  
MARKET REGULATION SECTION  
MARKET CONDUCT UNIT**

**REPORT ADOPTED: NOVEMBER 28, 2017**

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## **I. INTRODUCTION**

This is a report of the Market Conduct activities of the CSAA Mid-Atlantic Insurance Company of New Jersey (“CSAA” or “the Company”). Authority for this examination is found at N.J.S.A. 17:23-20 through 17:23-26. Market Conduct Examiners from the New Jersey Department of Banking and Insurance (hereinafter referred to as the “Department” or “DOBI”) conducted this examination. The examiners present their findings, conclusions and recommendations in this report.

### **A. SCOPE OF EXAMINATION**

The scope of the examination included homeowners insurance sold by the Company in New Jersey. The examiners evaluated the Company’s compliance with statutes and regulations that are applicable to homeowner’s insurance, including N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17.1 et seq. The review period for the examination was February 1, 2016 to January 31, 2017.

The examiners conducted their fieldwork at DOBI offices in Trenton, New Jersey, between April 24, 2017 and June 16, 2017. The Market Conduct Examiners were Examiner-in-Charge Robert Greenfield, Erin Porter, Richard Segin, and Michael Wise.

The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioner’s (“NAIC”) Market Regulation Handbook. The examiners used the NAIC Market Regulation Handbook, Chapters Sixteen (General Examination Standards) and Seventeen (Conducting the Property and Casualty Examination) as a guide to examine the Company and to write this report.

### **B. ERROR RATIOS**

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners’ findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or DOBI intervention, the error is not included in the error ratios.

The examiners sometimes find improper general business practices or insurer errors that may be technical in nature or which did not have an impact on a consumer. Even though such errors or practices would not be in compliance with law, the examiners do not include these errors when determining error ratios.

Whenever such business practices or errors do have an impact on the consumer, each file in error is counted in the error ratio. Where applicable, the examiners indicate in the report whenever they did not count particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. These inquiries provided CSAA the opportunity to respond to the examiners' findings and to provide exceptions to the statutory and/or regulatory errors or mishandling of files reported. In response to these inquiries, CSAA agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception, i.e. it notes only the errors found by the examiners.

### **C. COMPANY PROFILE**

CSAA was formed in New Jersey in 1990 as Keystone Insurance Company of New Jersey. In 1997, the Company changed its name to AAA Mid-Atlantic Insurance Company of New Jersey and was part of the AAA Mid-Atlantic Insurance Group, which was acquired by CSAA Insurance Exchange on January 1, 2011. In 2014, the Company formally changed its name to CSAA. CSAA writes Private Passenger Automobile and Homeowners insurance in New Jersey and is licensed only in New Jersey.

### **D. EXECUTIVE SUMMARY**

This examination included a review of the Company's claims settlement practices. The examiners reviewed a total of 133 files, which included 93 paid files and 40 denied files, of which 37 were partially denied files. The examiners found errors in the following areas: delayed claim settlements and late issuance of delay notices.

## II. CLAIMS REVIEW

### A. INTRODUCTION

This review covers paid, partially denied and denied homeowner claims submitted under Coverage A (damage to the structure of the insured home caused by a covered peril). During the review period of February 1, 2016 to January 31, 2017, the Company closed 1,852 claims, of which 1,802 were paid, 47 were partially denied and three were denied. The examiners randomly selected and reviewed 93 paid, 37 partially denied and three denied claims.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness and fairness in evaluating and settling first party claims. The examiners placed particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17.1 et seq. These requirements relate to NAIC Market Conduct standards outlined in Chapters 16 and 17 of the Market Regulation Handbook.

### B. ERROR RATIOS

The examiners calculated the following error ratios by applying the procedures outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following chart.

<u>Type of Review</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
Paid	93	8	9%
Partially Denied	37	12	32%
Denied	<u>3</u>	<u>0</u>	0
Totals	133	20	15%

### C. EXAMINERS' FINDINGS

#### 1. Failure to Issue or Delayed Issuance of Delay Letters – 16 Files in Error

N.J.A.C. 11:2-17.7(c)1 and N.J.A.C. 11:2-17.7(e) state that unless clear justification exists, or unless otherwise provided by law, the maximum payment period for property-liability claims shall be 30 calendar days from receipt by the insurer of properly executed proofs of loss. If the insurer is unable to settle the claim within the time period specified, the insurer must send the claimant written notice of delay at the expiration of the 30-day settlement period and every 45 days thereafter until all elements of the claim are either honored or rejected.

Contrary to N.J.A.C. 11:2-17.7(e), CSAA failed to send delay notices on eight paid claims and eight partially denied claims within the maximum 30, or as



applicable, 45 day periods. Delays ranged from a low of five days to a high of 26 days. The Company agreed with the examiners' findings.

**See Appendix A-1 for Files in Error**

**2. Failure to Settle Claim Timely – One File in Error**

Pursuant to **N.J.A.C. 11:2-17.7(c)1**, the maximum payment period for property-liability claims shall be 30 calendar days from receipt by the insurer of properly executed proofs of loss. The examiners found one claim in which the Company mailed payment by check on September 20, 2015; however, the insured never actually received the payment. CSAA effectuated a “stop payment” on June 7, 2016, but did not reissue the check until 345 days later, on May 18, 2017, in response to the examiners' inquiry. The examiners cited this as a delayed settlement.

**See Appendix A-2 for File in Error**

**3. Failure to Issue or Retain Copy of Denial Notices – 4 Files in Error**

**N.J.A.C. 11:2-17.8(b)** requires insurers to confirm all denials or offers of compromise to the claimant in writing and to maintain a copy in the appropriate claim file.

On the four claims cited, the examiners found that CSAA failed to issue denial letters on three claims. On a fourth claim, CSAA failed to retain a copy of the denial notice. The Company agreed with the examiners' findings.

**See Appendix A-3 for Files in Error**

### **III. RECOMMENDATIONS**

CSAA should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow. The examiners also recommend that the Company establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, additional errors may have occurred.

The examiners acknowledge that during the examination CSAA agreed and already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Company to provide its personnel with a document they can use for future reference, the examiners have listed all recommendations below.

#### **A. GENERAL INSTRUCTIONS**

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Chief of Market Regulation, Mary Roebing Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within 30 days of the date of the adopted report.

#### **B. CLAIMS**

1. In order to comply with N.J.A.C. 11:2-17.7(c)1 and N.J.A.C. 11:2-17.7(e), the Company must issue written instructions to all appropriate personnel stating that, unless clear justification exists, insurers are required to settle all first party claims within 30 days from receipt of proof of loss, unless a delay notice is sent at the expiration of the 30-day settlement period and every 45 days thereafter until all elements of the claim have been honored.
2. The Company should establish procedures to ensure that denial notices are sent promptly and copies are kept in the appropriate claim file pursuant to N.J.A.C. 11:2-17.8(b).

## IV. APPENDIX A

### 1. Failure to Issue or Delayed Issuance of Delay Letters –16 Files in Error

<u>Claim Number</u>	<u>Date of Notice</u>	<u>Date Delay Letter Sent</u>	<u>Days Notice</u>	<u>Days over 30/45</u>
1001-51-8098	6/16/2016	NOT SENT	N/A	N/A
1001-29-9913	1/26/2016	NOT SENT	N/A	N/A
1001-75-8269	11/9/2016	NOT SENT	N/A	N/A
1001-04-8717	8/4/2015	NOT SENT	N/A	N/A
1001-79-3215	12/2/2016	NOT SENT	N/A	N/A
1001-55-9959	7/12/2016	8/24/2016	43	13
1001-34-0360	2/23/2016	NOT SENT	NA	N/A
1001-37-0597	3/16/2016	5/11/2016	56	26
1001-50-5750	6/9/2016	7/19/2016	40	10
1001-33-4174	2/15/2016	NOT SENT	N/A	N/A
1001-54-8806	6/29/2016	NOT SENT	N/A	N/A
1001-59-0483	7/26/2016	NOT SENT	N/A	N/A
1001-17-3500*	11/25/2015	1/14/2016	50	5
1001-50-5669	6/9/2016	7/20/2016	41	11
1001-42-0760	4/15/2016	NOT SENT	51	21
1001-10-7302	9/14/15	NOT SENT	N/A	N/A

\*First Delay Notice sent timely. Second Delay Notice sent late. Date under Date of Notice column is the date the first delay letter was issued. The date under the Date Delay Letter Sent column is the date the second delay letter was issued. Days Notice and Days Over 30/45 reflect the 45 day period on all delays that occur after the initial 30 day period.

### 2. Failure to Settle Claim Timely – One File in Error

<u>Claim Number</u>	<u>Date of Stop Payment</u>	<u>Date Payment Reissued</u>	<u>Days to Reissue Payment</u>
1001-10-7302	6/7/2016	5/18/2017	345

### 3. Failure to Issue or Retain Copy of Denial Notices – 4 Files in Error

1001-25-7166	1001-43-8180*
1001-55-5747	1001-65-0092

\*CSAA failed to retain a copy of a letter that partially denied benefits.

## V. VERIFICATION PAGE

I, Robert Greenfield, am the Examiner in Charge of the Market Conduct Examination of CSAA Mid-Atlantic Insurance Company conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of CSAA Mid-Atlantic Insurance Company as of July 20, 2017.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

Sept. 13, 2017  
Date

Robert Greenfield  
Robert Greenfield, EIC  
Market Conduct Examinations