

**CALIFORNIA DEPARTMENT OF INSURANCE**  
**STATISTICAL ANALYSIS DIVISION**



**STATISTICAL PLAN**  
**FOR**  
**2009 INSURER INSPECTIONS OF VEHICLES REPORT (II-2009)**  
**FOR**  
**EXPERIENCE YEAR 2008**

**INSURER INSPECTIONS OF VEHICLES REPORT**  
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# INSURER INSPECTIONS OF VEHICLES REPORT

## STATISTICAL PLAN

### **I. SCOPE OF THE PLAN**

This plan is applicable to all insurers that issue automobile liability or collision policies which have *approved* claims for the cost of auto body repairs.

### **INSURANCE CODE SECTIONS 1874.85-1874.86**

1874.85. An insurer that issues automobile liability or collision policies shall inspect vehicles for which it has approved a claim for the cost of auto body repairs, either during the repair process or after the work has been completed, and the number of vehicles inspected shall be a statistical sampling sufficient to demonstrate to the department the insurer's efforts to reduce fraudulent auto body work during a calendar year.

1874.86. Each insurer subject to this article shall report annually to the department on the following:

(a) The number of vehicles inspected pursuant to Section 1874.85 and the percentage that this number represents of the total number of vehicles for which it paid a claim for the cost of auto body repairs in the prior calendar year.

(b) The results of the inspections, including the nature of any fraud uncovered, and whether or not legal action was pursued.

The department shall make the information provided pursuant to this section available to the California Highway Patrol and the Bureau of Automotive Repair.

This plan contains the necessary instructions and specifications for reporting the required experience and clearly explains definitions and exclusions to assist insurers in providing a uniform data that will satisfy the legislative requirements set forth in California Insurance Code Sections (CICS) 1874.85 and 1874.86.

### **II. INTENT AND CHANGES**

#### **A. INTENT OF CICS 1874.85 AND 1874.86:**

Pursuant to CICS 1874.86b: *The **results** of the inspections, including the nature of any fraud uncovered, and **whether or not legal action was pursued**, shall be reported.* Please note that "criminal intent" is not a factor in these *results* and any inconsistencies should be counted.

## **INTENT AND CHANGES (Continued) -**

### A. INTENT OF CICS 1874.85 AND 1874.86 (Continued) -

As part of reporting the *results* of your reinspections, this Department would like insurers to count any “Inconsistencies Found/Corrected” during the reinspection process that fall into one of the below listed categories; whether they are resolved or not, and/or whether they resulted in legal action or not. Whether they were unintentional or willful mistakes committed by the auto body shop, they must nevertheless be counted for the purposes of this data call. It is not the Department’s intent to initiate any fraud investigation actions against your company, but to merely report to the legislature and interested parties, any results discovered in a representative sample of reinspections by California insurers as a whole. For example, it is common for: (1) “parts to not be replaced”, but the consumer was billed; or (2) for the consumer to received “recycled parts” when they have been billed for new ones. We are not interested in whether the issue was resolved or whether it was a mistake or intentional, but rather in the inconsistencies discovered during the reinspection process.

The **Common Categories** in which we require insurers to track data are as follows:

- (a) Parts not replaced
- (b) Damage enhanced
- (c) Billed for repairs not done
- (d) Possible recycled
- (e) Non-OEM parts used
- (f) Parts repaired not replaced
- (g) Parts estimated not repaired or replaced
- (h) Duplicate item billed
- (i) Other (provided with explanation)

These categories should be tracked for all reinspection *results*, and be further categorized as: (1) Fraud, (2) Legal Action Taken and (3) Inconsistencies Found/Corrected during the reinspections process.

### B. CHANGES TO THE II-2009 DATA WORKBOOK:

**How should *Inconsistencies Found/Corrected during the reinspection process* be handled on the II-2009 Data Workbook?** As noted in our earlier **Bulletin of 11/07/08**, we had indicated that an extra column would be added for capturing Inconsistencies separately from Fraud on the II-2009 filing. However, since the results requested for this filing are irrespective of criminal intent, we have decided that both Fraud, which may include criminal intent, and Inconsistencies discovered should continue to be included in the same column. For II-2008, we had asked companies to include Inconsistencies in the Fraud column. For II-2009, we asked that you continue to do the same, and **we have renamed that column on the Results-Personal and Results-Commercial worksheets to read, “Fraud & Inconsistencies Found/Corrected”**.

### III. GENERAL RULES AND GUIDELINES

#### A. WHO IS REQUIRED AND WHO IS EXEMPT FROM REPORTING?:

**REQUIRED:** Insurers that have a total of **\$1 million or greater** in direct written premiums in the following lines (all lines combined) for experience year 2008, are ***required*** to submit the II-2009 Data Workbook.

- Line 19.2: Private Passenger Auto
- Line 19.4: Other Commercial Auto Liability
- Line 21.1: Private Passenger Auto Physical Damage
- Line 21.2: Commercial Auto Physical Damage

**EXEMPT:** Insurers are ***exempt*** from submitting the II-2009 Data Workbook and Affidavit Form if the below apply to their above listed lines of business. However, **these insurers must still submit the Acknowledgement Form.**

- Total direct written premiums **less than \$1 million** in these combined lines of business
- Excess Auto Liability only
- Antique & Collector Auto only
- Motor Homes, Modified Auto and/or Motorcycles only

On the II-2009 Acknowledgement Form, check off “Other” box provided, and indicate your reason for not submitting the II-2009 Data Workbook. The reason for not submitting the data workbook must be indicated in the space provided on the Acknowledgement Form next to the “Other” box and may, for example, be explained as, *Volume < \$1M or Motor Home/Modified Auto/ & Motorcycle only.*

#### B. EXPERIENCE PERIOD:

Insurers shall report, annually, the experience of the **year immediately preceding** the reporting year. For reporting year 2009, you are to report your experience for calendar year 2008 from the period of January 1, 2008 to December 31, 2008.

**Note: Claim approved in 2008, but reinspected in 2009**

**QUESTION:** If a claim was approved for repairs in 2008, but the repairs were completed in 2009, for what year should the reinspection be counted?

**ANSWER:** CICS 1874.85 states, *An insurer that issues automobile liability or collision policies shall inspect vehicles for which it has “approved” a claim for the cost of auto body repairs, either during the repair process or after the work has been completed, and the number of vehicles inspected shall be a statistical sampling sufficient to demonstrate to the department the insurer’s efforts to reduce fraudulent auto body work during a calendar year. Therefore, for reinspections that occurred in 2009 on 2008 approved claims, record them for 2008; the year that they were initially approved.*

## GENERAL RULES AND GUIDELINES (Continued) -

### C. SUFFICIENT STATISTICAL SAMPLING:

The Department has determined that a statistically sound sample can be accomplished by reinspecting a certain sample size. The sample size is determined by using a common statistical method on sampling based on an *Attributes Sampling technique*, with a 2% margin of error and a 95% confidence interval.

The *Calculated Field* in the Inspection Activity worksheet of the II-2009 Data Workbook will show the number of reinspections that will be considered a sufficient sampling to satisfy CICS 1874.85. Upon entering your company's Claim Count for Personal Auto and Commercial Auto, the Calculated Field will automatically populate with the number of desired reinspections. For claims of 9,000 or less, this number will be 20% of total claims entered for personal and commercial auto respectively. For claims over 9,000 this number will be progressively less than 20%; the higher the number of claims, the lower the number of reinspections required.

Use the *Calculated Field* in the Data Workbook, to serve as a guide for your future number of reinspections that will satisfy a sufficient sampling.

### D. CONSOLIDATED REPORTING:

Insurers who file a consolidated annual statement as a group of companies, may submit consolidated experience, but should clearly specify under Item 4 of Page T-1 of the II-2009 Data Workbook all companies included in the consolidated data filing along with their corresponding NAIC numbers. If additional companies need to be listed, click the "*Click Here to Add More Companies*" button and more space will be provided on an additional worksheet.

### E. REPORTING DUE DATES:

All required forms and/or data must be submitted to the Department of Insurance by the specified due dates indicated below. Note that we are requiring the reporting of II-2009 earlier this year.

#### Acknowledgement Form:

**February 13, 2009**

Please complete the Acknowledgment Form and return it to the Department via e-mail, on or before February 13, 2009 to apprise the Department of your reporting status.

#### Data Workbook including Affidavit Form:

**April 3, 2009**

Insurers must submit the II-2009 Data Workbook with a signed and notarized Affidavit no later than April 3, 2009 to comply with the codes mentioned in this Circular.

## GENERAL RULES AND GUIDELINES (continued) -

### F. SUBMISSION OF ACKNOWLEDGEMENT AND DATA WORKBOOK:

Your Acknowledgement and Data Experience are to be reported on the II-2009 Acknowledgement Form and II-2009 Data Workbook respectively. Only the Excel format of the Acknowledgement and Data Workbook forms are acceptable, which may be submitted in two ways:

- via E-mail (*preferred method*) to: [submissions@insurance.ca.gov](mailto:submissions@insurance.ca.gov)
- via Mail on a 3 ½" IBM compatible diskette to:

California Department of Insurance  
Statistical Analysis Division  
Attn: II-2009  
300 South Spring Street  
Los Angeles, CA 90013

#### Note: What about Hardcopies?

Hardcopies of the Excel Acknowledgement Form and Data Workbook are **NOT required and are discouraged** from being submitted. We collect, download and store all data electronically and do not store or retain hardcopies of these submissions to maintain an environmentally friendly paperless work environment. Do not submit these two forms in the Adobe format.

### G. CLAIM COUNT: WHAT IS INCLUDED AND WHAT IS EXCLUDED?:

Please refer to the below items for further clarification regarding what should be “included” and/or “excluded from your Claim Count:

1. **Approved vs. Paid Claims:**

Count claims based on the calendar year the claim was *approved* for repairs, not when the claim was paid.

2. **Minimum Claim Amount:**

Only *include* claims that are \$400 or greater.

3. **Glass Claims:**

*Exclude* glass only claims.

4. **Subrogated Claims:**

For subrogated claims, the company that initiated and approved the repair **MUST** count the claim so that it could be included in the sample for possible reinspection.

5. **UMPD Claims:**

Uninsured Motorist-Property Damage (UMPD) claims are to be *included* in your claims count.

## GENERAL RULES AND GUIDELINES (continued) –

### G. CLAIM COUNT: WHAT IS INCLUDED AND WHAT IS EXCLUDED? (Continued):

#### 6. **Total Losses:**

*Exclude* total losses in your claim count and reinspection process. Total losses do not include any auto body repair and should subsequently be excluded.

#### 7. **Deductibles:**

Count the amount of the total claims *before the deductible is applied*. For example, a \$700 claim with a \$500 deductible would be counted in your claim count, since we are looking at the cost of the *total* claim before the deductible is applied.

#### 8. **Third Party Claims:**

*Exclude* third party (3<sup>rd</sup>) party claims from your claim count and the reinspection process. However, 3<sup>rd</sup> party claims may be included in your claim count and reinspection results if you had control over the auto body repair and inspection process.

#### 9. **Comprehensive Claims:**

*Exclude* comprehensive claims in your claim count as no reinspections are conducted on these claims and they do not usually involve “approved” repairs that will be conducted. In the event of vehicles that are involved in *theft*, the vehicle is usually completed lost or recovered. In the event of *fire*, the vehicle is usually a total loss and, as indicated in Item 6 above, we ask that you exclude total losses.

#### 10. **Supplemental Repairs:**

Supplemental repairs can only be included in the reinspection count if these approved (verified) additional repairs were physically reinspected during or after the supplemental repairs are completed. That is, the claim would still be only counted as one, but the reinspections would be counted as two.

### H. TOTAL CLAIMS WITH FRAUD AND/OR INCONSISTENCIES:

The total number of claims with fraud (item j. in transmittal forms T-3 and T-4), is the sum of *vehicles* reinspected that resulted in one of the many fraud types listed. It is **NOT** the sum of all fraudulent activities. For example: If only 1 vehicle is involved, regardless of the number of fraud types, only one fraudulent claim is counted. *Total Claims with Fraud (item j.) should be at least the maximum number of any item, but should not be greater than the sum of (a-i). If more than one type of fraud is involved for the same vehicle, the fraudulent claim should only be counted as one (1).*

## **GENERAL RULES AND GUIDELINES (continued) –**

### **I. EDITING PROCEDURE:**

Companies should establish their own editing programs and procedures to guarantee the accuracy of their data. All data will be validated for accuracy and reasonability. Data submissions that do not pass the validation process will be returned to the company for corrections or further explanations and must be resubmitted within 10 calendar days.

### **J. AFFIDAVIT FOR SUBMISSION:**

Reports must be submitted with an affidavit made under oath before a notary public for each submission of your Data Workbook. Acknowledgement Forms do not need to be accompanied by an Affidavit. Note that we will accept the submission of the Affidavit Form in the following three ways:

- **E-MAIL (*Preferred Method*):** Submit the notarized scanned copy of the original via E-mail in an Adobe attachment. Note that if you are scanning the original, an *imprint seal* may not appear on the scanned copy. We suggest that you take a lead pencil and lightly brush over the imprint seal on the original copy to allow the seal to appear on the scanned copy. If the notary's seal is visible on the scanned copy (saved in the Adobe format), you may e-mail it to [submissions@insurance.ca.gov](mailto:submissions@insurance.ca.gov) as an attachment.
- **MAIL:** Submit the original via U.S. Mail to the address provided in Item F above.
- **FAX:** Fax the notarized original to 213-897-6571. Again, if the notary has used an imprint seal (rather than a notary stamp), the seal may not appear on the receiving end of the fax. Also, apply the same method discussed above for e-mailing.

### **K. PENALTIES AND CHARGES:**

The insurer's failure to submit its experience by the due dates will be considered non-compliant with California Insurance Code Sections 1874.85 and 1874.86, as well as Section 700(c). Subsequent legal action can be pursued by this Department to satisfy compliance.

## GENERAL RULES AND GUIDELINES (continued) –

### L. PROPRIETARY POLICY:

As a general rule all data submitted to the California Department of Insurance, Statistical Analysis Division is deemed to be proprietary in nature and treated as confidential. Data will only be released in the aggregate so no individual company experience is revealed, unless;

- Mandated by California Insurance Code or California Code of Regulations.
- Requested by other CDI Units for internal use, but continue to maintain confidentiality.
- Ordered by the Insurance Commissioner or Legislative Insurance Committee in the public interest, and does not conflict with proprietary protection under current law.

### M. COMMUNICATIONS:

All communications including questions and concerns, as well as requests must be directed to the attention of Shawn Dadah at the below number or e-mail address.

**IMPORTANT NOTE: Please be sure to include, in all e-mail correspondence, the circular name and year, as well as your group/company name and corresponding NAIC group/company code in the subject line.**

**For Example:**

**Subject:** II-2009: ABC Insurance Group-NAIC Group 5555

Shawn Dadah: (213) 346-6317 or [dadahs@insurance.ca.gov](mailto:dadahs@insurance.ca.gov)  
FAX Number: (213) 897-6571

California Department of Insurance  
Statistical Analysis Division  
ATTN: II-2009  
300 South Spring Street  
Los Angeles, CA 90013

Refer to Item F above for the correct method to submit your Acknowledgment and Data Workbook forms in the Excel format.

**Note:**

For the initial *Data Submission*, use the following address: [submissions@insurance.ca.gov](mailto:submissions@insurance.ca.gov)

For *Resubmissions*: Please e-mail directly to the analyst reviewing your company's experience.

#### IV. ACCESSING THE REQUIRED FORMS FROM THE INTERNET:

For compliance with Sections 1874.85-.86 of the California Insurance Code, please follow the instructions below to retrieve the Acknowledgement Form and Data Workbook (Excel 97 or higher), as well as the Affidavit Form (PDF) from the California Department of Insurance's website.

- Go to the Department of Insurance web site at [www.insurance.ca.gov](http://www.insurance.ca.gov).
- Click on the **INSURERS** link at the top portion of the webpage.
- Click on the **DATA & REPORTS** link, (located on the left-hand column of the page).
- Click on the **STATISTICAL PLANS** link and choose **REPORTING YEAR 2009 STATISTICAL PLANS**.
- A message will appear requesting the user name and password. Enter the following:

User Name: **GOTNUMBERS09** (case sensitive)

Password: **STAT2009** (case sensitive)

- Select **II-2009**.
- From the II-2009 site, you can retrieve the following:
  - Circular II-2009
  - Acknowledgement \* (Due: February 13, 2009)
  - Data Workbook \* (Due: April 3, 2009)
  - Affidavit (Due: April 3, 2009)
  - CIC Sections 1874.85 and 1874.86

##### **IMPORTANT NOTE:**

\* Although the *II-2009 Acknowledgement Form* and *Data Workbook* can be completed and transmitted to this Department via the CDI Internet, it is advisable to save a copy of each to your local directory. There are **macro buttons** on both forms for transmitting the data. It is preferable that you send your Acknowledgement and Workbook via e-mail using the links/buttons contained in these forms. If you are having trouble with auto send buttons, you may save and attached the files to an e-mail and direct to [submissions@insurance.ca.gov](mailto:submissions@insurance.ca.gov).