

District Attorney Arlo Smith Sues California State Auto Association

Editorial Staff

San Francisco District Attorney Arlo Smith announced today that his Consumer and Environmental Protection Division has filed a civil lawsuit against the California State Automobile Association (CSAA), headquartered in San Francisco, California. The civil complaint alleges that CSAA has engaged in unfair claims handling and false and misleading advertising practices in Northern California, in violation of California law. Mr. Smith indicated that his Consumer and Environmental Protection Unit has received complaints from CSAA policyholders and their attorneys contending that CSAA has adopted a policy and routine business practice of refusing to honor the terms of its insurance policies.

"CSAA policyholders who have been injured in auto accidents complain that CSAA has systematically refused to pay their medical bills, even in cases where there is no dispute as to liability or question as to whether the CSAA policy covers the accident," District Attorney Smith said.

According to Arlo Smith, CSAA has used a variety of unfair claims handling procedures solely for the purpose of delaying and frustrating policyholder efforts to obtain speedy and fair settlement of their claims. Documents filed with the district attorney's office contend that CSAA has, for example:

- unfairly demanded excessive documentation of medical claims;
- unreasonably denied or delayed payments to health care providers whose bills were clearly covered under the auto policy;
- delayed the investigation and payment of claims by routinely requiring the insured to submit redundant proof of loss statements;
- prolonged litigation in order to coerce an unfair settlement.

In announcing his lawsuit, Mr. Smith noted that, "Californians pay a high price for mandatory auto insurance. Consumers who pay these premiums deserve to get what the insurance companies promise they will deliver -- fast, efficient, and fair settlement of their claims. CSAA has breached the special duty which California law imposes on insurance companies to deal fairly and in good faith with policyholders and could result in a fine of up to \$2,500 per proven violation of law." Mr. Smith has also formally requested that the Department of Insurance investigate CSAA's claims handling procedures and take independent administrative action against the insurer.

Mr. A of San Francisco, a CSAA policyholder, was injured in an auto accident in April 1988. He first contacted CSAA about paying his medical bills in May 1988. In July 1988, CSAA demanded that he provide them with another copy of his doctor's bills and initial all treatments received on each bill. CSAA then asked for originals of the doctor's statements. A third medical billing was provided in April 1989. Having heard nothing from CSAA, Mr. A's attorney sent CSAA a letter on September 11, 1989, inquiring as to the status of Mr. A's claim. CSAA did not respond; the lawyer sent another letter on September 27, 1989. CSAA finally responded on December 5, 1989, indicating that Mr. A's file had been closed and all previously-provided documents had been lost. A fourth set of doctor's bills was then sent. CSAA finally settled Mr. A's medical pay claim on May 14, 1990, more than two years after the date of the accident. Coincidentally, a claim which Mr. A had against a third-party carrier settled on June 1, 1989, a year before Mr. A's own insurance carrier paid his medical bills.

The San Francisco district attorney's office will accept consumer complaints about CSAA so long as they meet the following criteria:

1. The complainant is insured by CSAA;
2. The complaint relates the handling of bodily injury, a claim arising out of an accident which occurred no earlier than January 1, 1988; and
3. There has not been a previous adjudication of the claim.

CSAA policyholders who can document unfair claims handling practices by CSAA can call the San Francisco district attorney's office at (415) 553-1814 to receive a written complaint form.

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