

MARKET CONDUCT EXAMINATION REPORT

OF

HAULERS INSURANCE COMPANY, INC.

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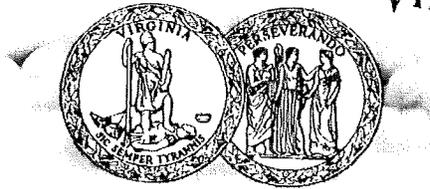
MARCH 31, 2012

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

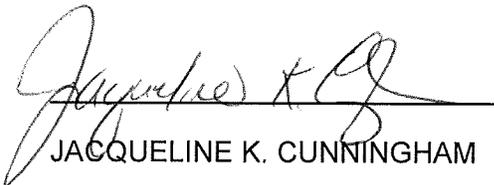


P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Market Conduct Examination Report of Haulers Insurance Company, Inc. August 25, 2013, which took place at the company's offices in Columbia, Tennessee, is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's final response to the findings set forth therein, and of the Bureau's letter and the Order of the State Corporation Commission finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of this the Bureau
at the City of Richmond, Virginia,
this 12th day of September, 2013.



JACQUELINE K. CUNNINGHAM

Commissioner of Insurance

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, an examination has been made of the private passenger automobile line of business written by Haulers Insurance Company at its office in Columbia, TN.

The examination commenced October 15, 2012 and concluded February 6, 2013. Karen S. Gerber, Ju'Coby Hendrick, Melody R. Morrisette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on March 13, 2012 and was assigned the examination number of VA-177 M3. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILE*

Haulers Insurance Company, Inc. (Haulers) is a stock property and casualty insurance company. The company primarily writes personal and commercial automobile policies in Tennessee, Missouri, Virginia, Indiana, and Georgia. While approximately 50% of all business is written in Tennessee, the company continues to increase its market presence in Missouri, Virginia, and Indiana with the addition of new agencies. In total, the company is licensed in 18 states.

On June 30, 2008, Shelter Mutual Insurance Company acquired 100% of the issued and outstanding stock of Haulers. All other members of Haulers' management team remain intact. All underwriting and claim operations continue to be handled in Haulers' corporate office.

* Source: Best's Insurance Reports, Property & Casualty, 2011 Edition.

The table below indicates when the company was licensed in Virginia and the lines of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized on February 28, 1995 except as noted in the table.

GROUP CODE:	HAULERS INSURANCE COMPANY, INC.
NAIC Company Number	31550
LICENSED IN VIRGINIA	02/28/1995
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	
Burglary and Theft	X
Commercial Multi-Peril	X
Credit	
Farmowners Multi-Peril	X
Fidelity	
Fire	X
General Liability	X
Glass	X
Homeowner Multi-Peril	X
Inland Marine	X
Miscellaneous Property	X
Ocean Marine	
Surety	X
Water Damage	X
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2011 for the line of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Haulers Insurance Company, Inc. Private Passenger Automobile Liability	\$2,040,035	0.09%
Private Passenger Automobile Physical Damage	\$1,493,935	0.08%

* Source: The 2011 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's private passenger automobile business written in Virginia for the period beginning April 1, 2011 and ending March 31, 2012. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance,¹ statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the company's practices that require some action by the company. This section also summarizes the violations for which the company was cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize

¹ Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the company. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

AREA	HICI	Population				ERROR RATIO
		Sample Requested	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	
<u>Private Passenger Auto</u>						
New Business ¹		<u>2130</u> 25	24	0	12	50%
Renewal Business		<u>7643</u> 50	50	0	29	58%
Co-Initiated Cancellations		<u>238</u> 20	20	0	20	100%
All Other Cancellations		<u>1405</u> 25	25	0	22	88%
Nonrenewals		<u>115</u> 15	15	0	1	7%
<u>Claims</u>						
Auto		<u>1154</u> 60	60	0	40	67%

Footnote¹ - One file was a renewal policy and was not reviewed.

PART ONE – THE EXAMINERS’ OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the company. These include all instances where the company violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the company violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The examiners reviewed 24 new business files. As a result of this review, the examiners found no overcharges and undercharges totaling \$434.00.

- (1) The examiners found nine violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company listed the Towing and Labor Costs Coverage endorsement, PP 13 55 06 00, on the declarations page when it was not applicable to the policy.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an Adverse Underwriting Decision (AUD). The company surcharged the insured for accidents and/or convictions that were not shown on the application and failed to send the insured an AUD notice.
- (3) The examiners found four violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In one instance, the company failed to use the correct territory.
 - b. In three instances, the company failed to use the correct driver classification factor.
- (4) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The

company failed to send a Credit Adverse Action notice to the insured.

Automobile Renewal Business Policies

The examiners reviewed 50 renewal business files. As a result of this review, the examiners found overcharges totaling \$1,427.00 and undercharges totaling \$359.00. The net amount that should be refunded to insureds is \$1,427.00 plus six percent (6%) simple interest.

- (1) The examiners found 17 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy accurate information as required by the statute. The company listed the Towing and Labor Costs Coverage endorsement, PP 13 55 06 00, on the declarations page when it was not applicable to the policy.
- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.
- (3) The examiners found 23 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In four instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In 13 instances, the company failed to use the correct driver classification factor.
 - d. In one instance, the company failed to use the correct base or final rates.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies**NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE**

The examiners reviewed ten automobile cancellations that were initiated by the company where the company mailed the notices prior to the 60th day of coverage. As a result of this review, the examiners found overcharges totaling \$83.78 and undercharges totaling \$80.50. The net amount that should be refunded to insureds is \$83.78 plus six percent (6%) simple interest.

- (1) The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed ten automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and undercharges totaling \$541.75.

- (1) The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The

- company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found nine violations of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted by the Code of Virginia.
- (3) The examiners found ten violations of § 38.2-2212 E of the Code of Virginia. The company failed to advise the insured of the availability of other insurance through his agent, another insurer, or the Virginia Automobile Insurance Plan (VAIP).

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed 15 automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and undercharges totaling \$1,178.84.

- (1) The examiners found 14 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found two violations of § 38.2-2208 B of the Code of Virginia.
- a. In one instance, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found one violation of § 46.2-482 of the Code of Virginia. The

company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

REQUESTED BY THE INSURED

The examiners reviewed ten automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$19.44 and undercharges totaling \$20.74. The net amount that should be refunded to insureds is \$19.44 plus six percent (6%) simple interest.

- (1) The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found two occurrences where the company failed to comply with the provisions of the insurance contract. The company failed to obtain advanced written notice of cancellation from the insured.

Company-Initiated Non-renewals – Automobile Policies

The examiners reviewed 15 automobile non-renewals that were initiated by the company.

The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the non-renewal notice to the insured.

CLAIMS REVIEW

Automobile Claims

The examiners reviewed 60 automobile claims for the period of April 1, 2011 through March 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the

examiners found overpayments totaling \$4,352.38 and underpayments totaling \$12,628.51. The net amount that should be paid to claimants is \$12,542.51 plus six percent (6%) simple interest.

- (1) The examiners found eight violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found 19 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

- a. In two instances, the company failed to inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.

- b. In 13 instances, the company failed to properly inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.

- c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed

to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

- (4) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (5) The examiners found seven violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
 - a. In three instances, the company failed to pay the insured's UMPD claim properly when collision and UMPD coverages applied to the claim.
 - b. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
 - c. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found seven violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
 - a. In five instances, the company failed to provide a copy of the estimate to the insured.

- b. In two instances, the company failed to provide a copy of the estimate to the claimant.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found one violation of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or depreciation in the claim file.
- (8) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (9) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company set unreasonable and/or arbitrary limits on what it would allow for reimbursement of paint and materials to repair a vehicle.
- (10) The examiners found two violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.
- (11) The examiners found 23 occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In 22 instances, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy.
 - b. In one instance, the company issued payments under an incorrect coverage.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as violations of other Virginia laws.

The examiners found 24 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

REVIEW OF FORMS

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the company. In addition, the Bureau requested copies of new and renewal business policy mailings that the company was processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 20 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found five violations of § 38.2-2220 of the Code of Virginia.

- a. In three instances, the company failed to use standard forms filed and adopted by the Bureau.

- b. In two instances, the company failed to have available for use the Suspension of Insurance endorsement (PP 02 01 01 05) and the Reinstatement of Insurance endorsement (PP 02 02 08 86).

POLICY FORMS CURRENTLY USED BY THE COMPANY

The examiners found no additional forms to review.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the company's policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the company received the Examination Data Call. The company was instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the company listed all of the applicable policy forms on the declarations page and enclosed all applicable forms when the policy was mailed to the insured. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The company provided five new business policies mailed on the following dates: June 15, 19, 20, and 22. In addition, the company provided five renewal business policies mailed on the following dates: June 14, 15, 18, 22, and 25.

NEW BUSINESS POLICIES

The examiners found five violations of § 38.2-305 A of the Code of Virginia. The

company failed to specify in the insurance policy accurate information as required by the statute. The company failed to attach all applicable forms to the policy.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company's statutory notices used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the company. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the company on all applications, on all policies, and those special notices used for vehicle policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the company but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not include language substantially similar as that of the prototype set forth in Administrative Letter

1981-16.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company's glass claim procedure did not properly disclose the use of a Third Party Administrator.
- (2) The examiners found one violation of § 38.2-2202 A of the Code of Virginia. The company failed to provide the optional Medical Expense Benefits notice in the precise language and in boldface type as required by the Code of Virginia.
- (3) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The company failed to provide the Uninsured Motorist Limits notice in the precise language and in boldface type as required by the Code of Virginia.
- (4) The examiners found one violation of § 38.2-2234 A 1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Adverse Action notice.

Other Notices

The company provided a copy of one other notice that was used during the examination period.

The examiners found no violations in this area.

LICENSING AND APPOINTMENT REVIEW

Agent

The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

Agency

The examiners found 12 violations of § 38.2-1833 of the Code of Virginia. The company paid commission to an agency that was not appointed by the company within 30 days of the application.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the company's complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information.

The company submitted its security information as required by § 38.2-613.2 of the Code of Virginia.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the company with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations of Virginia insurance statutes and regulations that were found to be business practices.

General

Haulers Insurance Company, Inc. shall:

Provide a Corrective Action Plan (CAP) with its response to this report.

Rating and Underwriting Review

Haulers Insurance Company, Inc. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Specify accurate information in the policy by listing only forms applicable to the policy on the declarations page.
- (5) Apply points to the vehicle customarily operated by the driver who incurred the points.
- (6) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, territory, surcharges, points for accidents and convictions, tier eligibility, driver classification factors, and base and/or final rates.

Termination Review

Haulers Insurance Company, Inc. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Calculate earned premium according to the filed rules and policy provisions.
- (5) Obtain and retain valid proof of mailing the notice of cancellation or nonrenewal to the insured and lienholder.
- (6) Provide proper notice of cancellation to the lienholder when canceling and/or non-renewing a policy.
- (7) Cancel private passenger automobile policies only for those reasons permitted

by § 38.2-2212 of the Code of Virginia when the notice is mailed after the 59th day of coverage.

- (8) Advise the insured of the availability of other insurance through another insurer, his agent, or the VAIP.

Claims Review

Haulers Insurance Company, Inc. shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.
- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular emphasis should be given to rental benefits available under UMPD coverage, Transportation Expenses coverage, and Medical Expense Benefits coverage.
- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (7) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.

Review of Forms

Haulers Insurance Company, Inc. shall:

- (1) Use the required standard automobile forms filed and adopted by the Bureau.
- (2) Use the precise language of automobile forms as filed and approved by the Bureau.

Review of Policy Issuance Process

Haulers Insurance Company, Inc. shall:

Provide the applicable forms and endorsements on all new business policies.

Review of Statutory Notices

- (1) Develop a glass claim script to properly disclose the use of a Third Party Administrator.
- (1) Amend the AUD notice to comply with § 38.2-610 A of the Code of Virginia.
- (2) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (3) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.
- (4) Amend the Credit Score Disclosure notice to comply with § 38.2-2234 A of the Code of Virginia.

Licensing and Appointment Review

Haulers Insurance Company, Inc. shall:

Appoint agents and agencies within 30 days of the application.

PART THREE – RECOMMENDATIONS

The examiners found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. These errors will not be included in the settlement offer. Also listed below are recommendations regarding the company's practices that require some action by the company.

RECOMMENDATIONS

We recommend the company take the following actions:

Rating and Underwriting

- The company should amend the wording on the declarations page to match the wording found in the VA Personal Auto Policy.
- The company should amend the declarations pages to include all applicable coverages.
- The company should amend the filed symbol factors page for the Standard Program for model years 2011 and greater.
- The company should update its filed manual to clarify when class factors for Female 30 - 49 are applicable in the Preferred Program and define the adverse payment activity and time frame for good payment behavior to convert from the Standard Program to the Preferred Program.
- The company should update its filed manual to include a rule regarding the Risk Factors and if they are mutually exclusive of one another.
- The Bureau recommends that the Company update its Preferred Auto Program eligibility Rule 1.B.2 to include third party vendors as part of the prior insurance verification process.

Claims

- The company should make an appropriate reply within ten working days to communications reasonably suggesting a response was expected.
- The company should deny a claim in writing and keep a copy of the written denial in the claim file.

- The company should document information relating to the application of betterment or depreciation in the claim.
- The company should include a correct statement of coverage under which payments are made with all claim payments to insureds.
- The company should pay what is reasonable and necessary, prohibiting arbitrary limits, for the reimbursement of paint and materials to repair a vehicle.
- The company should obtain a written authorization from an insured prior to making payments directly to the medical provider.
- The company should amend the terminology on their automobile claims documents to read "Medical Expense Benefits."
- The company should pay claimant total loss fees according to Virginia Department of Motor Vehicle Codes § 46.2-627 and § 46.2-693.
- The company should comply with the provisions of their contract.
- The company should include the fraud statement, required by the company as a condition of payment, on all claim forms.

Policy Issuance Process

- The company should change the term "Comprehensive" to "Other Than Collision" on its declarations page and application.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the company during the course of the examination is gratefully acknowledged.

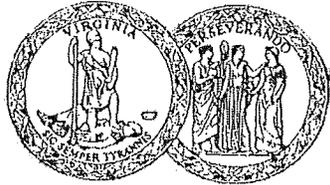
Sincerely,

A handwritten signature in black ink, appearing to read "Karen S. Gerber". The signature is written in a cursive style with a large initial "K".

Karen S. Gerber
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

March 22, 2013

VIA UPS 2nd DAY DELIVERY

Steve Wilkinson
Underwriting & Marketing Manager
Haulers Insurance Company, Inc.
1101 New Highway 7
Columbia, TN 38402

RE: Market Conduct Examination
Haulers Insurance Company, Inc. (NAIC# 31550)
Examination Period: April 1, 2011 through March 31, 2012

Dear Mr. Wilkinson:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2011, through March 31, 2012. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since February 6, 2013. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the company, I would urge you to closely review the report. Please provide a written response. When the company responds, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The company does not need to respond to any particular item with which it agrees. If the company disagrees with an item or wishes to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners will be unable to remove an item from the report or modify a violation unless the company provides written documentation to support its position.

Secondly, if the company has comments it wishes to make regarding Part Two of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business

practice, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

Thirdly, the company should provide a corrective action plan that addresses all of the issues identified in the examination. In some cases, the issues that should be addressed in the plan may be broader than those that are in Part Three of the Report.

Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by May 3, 2013.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by May 3, 2013.

Sincerely,

Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



May 1, 2013

Joy Morton, Supervisor
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Re: Market Conduct Examination
Haulers Insurance Company, Inc. (NAIC# 31550)
Examination Period of April 1, 2011 through March 31, 2012

Dear Ms. Morton,

Enclosed with this letter is our response presented in the same format as found in the Report. Additional comments and written documentation is provided as Exhibits. The Excel file has been completed and returned with this response as well.

I look forward to working with you and your staff in concluding this examination and will remain readily available to assist in any way possible. Your kind consideration while determining revisions to the Report and the appropriate disposition of the market conduct examination will be greatly appreciated.

Respectfully,

Steve Wilkinson, General Manager
Haulers Insurance Company, Inc. (NAIC# 31550)
877-269-9360
swilkinson@hici.net

STATE CORP COMMISSION
BUREAU OF INSURANCE
10 MAY - 9 AM '13

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

1. The examiners found nine violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company listed the Towing and Labor Costs Coverage endorsement, PP 13 55 06 00, on the declaration page when it was not applicable to the policy.

RESPONSE:

We agree with the findings and the company made a systems revision on October 25, 2012, so only applicable endorsements are listed on the declaration page.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

2. The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD). The company surcharged the insured for accidents and/or convictions that were not shown on the application and failed to send the insured an AUD notice.

RESPONSE:

Since this application was rejected for underwriting reasons a policy was not issued and AUD was not sent. We agree with the finding and the company is making a system modification so this notice is sent even when the application is rejected.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

3. The examiners found 11 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - b. In one instance, the company failed to use the correct symbols.
 - c. In one instance, the company failed to use the correct territory.
 - d. In five instances, the company failed to use the correct tier eligibility criteria.
 - e. In three instances, the company failed to use the correct driver classification.

RESPONSE:

- a. We are not in agreement with the finding as the company was unable to retrieve a hard copy of the MVR record to show conviction date since it is now over 36 months old.
- b. We are not in agreement with the finding as correct Symbols were files with the Virginia Department of Insurance and approved for 2011 and subsequent vehicles. (see Exhibit 1)
- c. We agree with the finding and the territory factor was corrected on 11-2-2011, prior to the exam being conducted.
- d. We are not in agreement with the finding and have provided print screens from our Power I system that shows all five insured's had current coverage and qualified for the preferred program. (see Exhibit 2)
- e. We agree with the finding and correction to driver classification factors has been implemented.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

4. The examiners found one violation of § 38.2-2234 of the Code of Virginia. The company failed to send a Credit Adverse Action Notice to the Insured.

RESPONSE:

Since this application was rejected for underwriting reasons a policy was not issued to the customer and Credit Adverse Notice was not sent. We are in agreement with the finding and the company is making a system modification so this notice is sent even when the application is rejected.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile Renewal Business Policies

1. The examiners found 17 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy accurate information as required by the statute. The company listed the Towing and Labor Costs Coverage endorsement, PP 13 55 06 00, on the declaration page when it was not applicable to the policy.

RESPONSE:

We are in agreement with the findings and the company made a systems revision on October 25, 2012, so only applicable endorsements are listed on the declaration page.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile Renewal Business Policies

2. The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily operated by the driver who incurred the points.

RESPONSE:

We are in agreement with the finding and a premium refund has been generated to be in accordance with the SDIP due to the overcharge. This error was a result of a policy that was an exception to our rating rules due to the MVR of a driver added mid-term. Our employees have been instructed by management to comply with the rules and rates on file with the VA BOI.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile Renewal Business Policies

3. The examiners found 24 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In four instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In one instance, the company failed to use the correct symbols.
 - d. In 13 instances, the company failed to use the correct driver classification factors.
 - e. In one instance, the company failed to use the correct base or final rates.

RESPONSE:

- a. We are in agreement with the findings and corrections to discounts and/or surcharges were implemented on 10-19-2012.
- b. We are not in agreement with the findings as the company was unable to retrieve hard copy of MVR records that showed conviction date since they are now over 36 months old.
- c. We are not in agreement with the findings as correct Symbols were files with the Virginia Department of Insurance and approved for 2011 and subsequent vehicles. (see Exhibit 1)
- d. We are in agreement with the findings and correction to driver classification factors has been implemented.
- e. We are in agreement with the finding and a correction to correct base or final rates has been implemented.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The examiners reviewed ten automobile cancellations that were initiated by the company where the company mailed the notices prior to the 60th day of coverage. As a result of this review, the examiners found overcharges totaling \$83.78 and undercharges totaling \$80.50. The net amount that should be refunded to insureds is \$83.78 plus six percent (6%) simple interest.

- (1) The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

RESPONSE:

We are not in agreement with the findings as HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

RESPONSE: (continued)

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (2) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain proof of mailing the cancellation notice to the insured.

RESPONSE:

The company agrees that the proof of mail was returned with a USPS verification stamp that is not of good quality. We are not in agreement with the finding as HICI always attempts to obtain quality documents from the USPS.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

1. The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

RESPONSE:

We are not in agreement with the findings as HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

2. The examiner found nine violations of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted by the Code of Virginia.

RESPONSE:

We are in agreement with the findings and the company has established underwriting procedures to ensure that only the reasons permitted by the Code of Virginia are used to cancel a policy.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

3. The examiners found ten violations of § 38.2-2212 E of the Code of Virginia. The company failed to advise the insured of the availability of other insurance through his agent, another insurer of the Virginia Automobile Insurance Plan (VAIP).

RESPONSE:

We are in agreement with the findings and the company made a systems revision and is currently advising all policyholders about the VAIP when required.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed 15 automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and undercharges totaling \$1,178.84.

- (1) The examiners found 14 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

RESPONSE:

The company gave a 5 day administrative period after the due date of each payment. If the payment was not received after the administrative period, a Notice of Cancellation providing an additional 17 days of coverage was sent with proof of mail to the policyholder. However, the premium stopped earning on the original payment due date which created an undercharge of premium. We are in agreement with the findings and the following revisions to this procedure were made on February 4, 2013. Currently, there is not a 5 day administrative period. If the payment is not received on or before the due date, a Notice of Cancellation providing 15 days coverage, as required by the Commonwealth of Virginia, is sent with proof of mail to the policyholder the day after the payment due date.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

All Other Cancellation – Automobile Policies

NONPAYMENT OF THE PREMIUM

- (2) The examiners found two violations of § 38.2-2208 B of the Code of Virginia.
- a. In one instance, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.

RESPONSE:

- a. The company agrees that a proof of mail to the insured is missing, as it was never returned by the USPS, despite several requests from the company.

RESPONSE:

- b. The company agrees that a proof of mail to the lienholder is missing, as it was never returned by the USPS, despite several requests from the company.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

RESPONSE:

The company agrees that this SR-26 filing for this policy was processed after the 15th day of the policy cancellation date.

The cancellation reports are now reviewed daily by the company and all SR-26's are filed the day of cancellation.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

REQUESTED BY THE INSURED

The examiners reviewed ten automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$19.44 and undercharges totaling \$20.74. The net amount that should be refunded to insureds is \$19.44 plus six percent (6%) simple interest.

- (1) The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

RESPONSE:

We are not in agreement with the findings as HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

REQUESTED BY THE INSURED

- (2) The examiners found two occurrences where the company failed to comply with the provisions of the insurance contract. The company failed to obtain advanced written notice of cancellation from the insured.

RESPONSE:

A request to cancel a policy for [REDACTED] – was submitted to the company by [REDACTED] Insurance Agency, on 11/18/2011. The request was signed by the insured and witnessed by the agent on 11/15/2011 with a requested cancellation effective date of 11/08/2011. The company was provided with proof of coverage with a different carrier effective the requested cancellation date. To prevent double coverage, this policy was cancelled effective the date that was requested by the insured. (Exhibit 3)

A request to cancel a policy for [REDACTED] was submitted to the company by [REDACTED] Insurance Agency, Inc., on 12/21/2011. The request was signed by the insured and witnessed by the agent on 12/21/2011 with a requested cancellation effective date of 12/20/2011. The policy was cancelled effective 12/20/2011 as the insured no longer owned the vehicle as of 12/20/2011. (Exhibit 4)

Exhibits are attached for your review.

The company respectfully requests your consideration in the removal of these violations.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Company-Initiated Non-renewals - Automobile Policies

1. The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the non-renewal notice to the insured.

RESPONSE:

We are not in agreement with the finding as proof of mailing was obtained but stamp date from USPS was not legible.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Company-Initiated Non-renewals - Automobile Policies

1. The examiners found six violation of § 38.2-2208 B of the Code of Virginia. The company failed to send a notice of non-renewal to the lienholder.

RESPONSE:

We are not in agreement with the findings as 38.2-2208 B of the Code of Virginia states, "If the terms of the policy require the notice of cancellation or refusal to renew to be given to any lienholder,". The terms of the policy as defined in the Loss Payable Clause (PP 03 05 08 86) and the Personal Auto Policy (PP 00 01 01 05) require lienholder notification for cancellations, not nonrenewals. Please see Exhibit 5 for supporting documentation. Therefore, HICI respectfully requests these violations be removed.

HICI RESPONSES

PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

Automobile Claims

The examiners reviewed 60 automobile claims for the period of April 1, 2011 through March 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$4,352.38 and underpayments totaling \$12,628.51. The net amount that should be paid to claimants is \$12,542.51 plus six percent (6%) simple interest.

RESPONSE

Checks for underpayments and for the 6% interest have been issued and sent to the proper parties. A copy of the "Claim underpayments cited during the examination form" is attached to our response. (Exhibit 6)

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (1) The examiners found eight violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim,

These findings occurred with such frequency as to indicate a general business practice,

RESPONSE

We agree that the cited files were not documented properly.

HICI RESPONSES

PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (2) The examiners found 19 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.
- a. In two instances, the company failed to inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
 - b. In 13 instances, the company failed to properly inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
 - c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist coverage when the file indicated the coverage was applicable to the loss.

RESPONSE

- a. We agree that the cited files were not documented properly in regards to the Medical Expense Benefits.
- b. We agree that the cited files were not documented properly in regards to the Transportation Expense coverage.
- c. We agree that the cited files were not documented properly in regards to the rental benefits available under the Uninsured Motorist coverage.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative that reasonably suggested a response was expected.

RESPONSE

We agree that the two responses were not sent within the ten working day provision.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (4) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file,

RESPONSE

We agree that the written denial document was not included in the claim file when the audit occurred.

HICI RESPONSES

PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (5) The examiners found seven violations of 14 VAC 5-400-70 0. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim, or failed to pay a claim in accordance with the insured's policy provisions.
- a. In three instances, the company failed to pay the insured's UMPD claim properly when collision and UMPD coverages applied to the claim,
 - b. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
 - c. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.

RESPONSE

- a. We agree that the UMPD and collision coverages were improperly applied in the cited files.
- b. We agree that the Medical Expense Benefits coverage was improperly applied in the cited files.
- c. We agree that the Transportation Expense coverage was not applied correctly in the cited file.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (6) The examiners found seven violations of 14 VAC 5-400-80 0. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In five instances, the company failed to provide a copy of the estimate to the insured.
 - b. In two instances the company failed to provide a copy of the estimate to the claimant.

RESPONSE

- a. We agree that there was an omission of documentation in the cited files so that it appeared that a copy of the estimate had not been provided to the insured.
- b. We agree that there was an omission of documentation in the cited files so that it appeared that a copy of the estimate had not been provided to the claimant.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (7) The examiners found one violation of 14 VAC 5-400-80 E, The company failed to document all information relating to the application of betterment or depreciation in the claim file.

RESPONSE

We agree that betterment was improperly indicated on the estimate in the cited file and there was a lack of documentation in the file explaining the deduction.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (8) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

RESPONSE

We agree that the cited files were not properly documented with a statement setting forth the correct coverage under which payment was made.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (9) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company set unreasonable and/or arbitrary limits on what it would allow for reimbursement of paint and materials to repair a vehicle.

RESPONSE

We agree that a paint cap was improperly applied to the estimate in the cited file.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (10) The examiners found two violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.

RESPONSE

We agree that a written statement authorizing the company to make payments directly to the medical provider was not obtained on the cited files.

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

- (11) The examiners found 23 occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In 22 instances, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy,
 - b. In one instance, the company issued payments under an incorrect coverage.

RESPONSE

- a. We agree that overpayments did occur on the cited files.
- b. We agree that the UMPD and collision coverages were improperly applied in this file.

HICI RESPONSES PART ONE – THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as violations of other Virginia laws. The examiners found 24 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

RESPONSE

We agree that the cited files included documents that did not include the required statement regarding insurance fraud on the claims forms. Form revisions have been made to include the following statement: "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits."

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 20 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found five violations of §38.2-2220 of the Code of Virginia.

- a. In three instances the company failed to use standard forms filed and adopted by the Bureau.

- b. In two instances, the company failed to have available for use the Suspension of Insurance endorsement (PP 02 01 01 05) and the Reinstatement of Insurance endorsement (PP 02 02 08 86).

RESPONSE:

- a. We agree with the findings and the company corrected forms and edition dates of those standard forms filed and adopted by the Bureau on 10/16/2012.

The company has attached exhibit documentations of the corrected forms and edition dates.
(Exhibit 7)

RESPONSE:

- b. We agree with the findings and the company has made available these forms and has adopted these as part of the forms used effective 10/19/2012.

The company has attached exhibit 7 of the corrected forms currently used by the company.
(Exhibit 7)

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

New Business Policies

1. The examiners found five violation of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy accurate information as required by the statute. The company failed to attach all applicable forms to the policy.

RESPONSE:

The company contends that all applicable forms were provided to the applicant by the agency along with the application, ID cards and declaration page therefore the company requests that the violations be removed.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

General Statutory Notices

1. The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not include language substantially similar to that of the prototype set forth in Administrative letter 1981-16.

RESPONSE:

We are in agreement with the finding and the AUD has been corrected and implemented. (see Exhibit 10)

HICI RESPONSES

PART ONE – THE EXAMINERS' OBSERVATIONS

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company's glass claim procedure did not properly disclose the use of a Third Party Administrator.

RESPONSE

In July 2012, HICI contracted with [REDACTED] Glass Services which provided a new glass script that was reviewed by the Virginia BOI audit team when they were in our office and it was deemed compliant. A copy is attached to this report. (Exhibit 8)

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Statutory Vehicle Notices

2. The examiners found two violations § 38.2-2202 A of the Code of Virginia. The company failed to provide the optional Medical Expense Benefits notice in the precise language and in boldface type as required by the Code of Virginia.

RESPONSE:

We are in agreement with the findings and attached you will see corrected Medical Expense Benefits notice attached that has been corrected and implemented. (see Exhibit 9)

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Statutory Vehicle Notices

3. The examiners found two violations § 38.2-2202 B of the Code of Virginia. The company failed to provide the Uninsured Motorist Limits notice in the precise language and in boldface type as required by the Code of Virginia.

RESPONSE:

We are in agreement with the findings and attached you will see corrected Uninsured Motorist Limits notice attached that has been corrected and implemented. (see Exhibit 9)

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Statutory Vehicle Notices

4. The examiners found one violation § 38.2-2234 A 1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.

RESPONSE:

Please see exhibit 17 which shows we do include all information required by the statute verbatim. We respectfully request that this violation be withdrawn.

HICI RESPONSES
PART ONE - THE EXAMINERS' OBSERVATIONS

Other Notices

1. The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not include language substantially similar to that of the prototype set forth in Administrative letter 1981-16.

RESPONSE:

We agree with the finding and the AUD has been corrected and implemented. (see Exhibit 10)

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

LICENSING AND APPOINTMENT REVIEW

Agent

The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

RESPONSE:

The company had not been made aware of this agent's employment, therefore the agent had not been appointed by the company. We agree with this finding and this has been corrected as the agent was appointed on November 05, 2012 with the company.

Please see attached exhibit. (Exhibit 11)

HICI RESPONSES
PART ONE – THE EXAMINERS' OBSERVATIONS

LICENSING AND APPOINTMENT REVIEW

Agency

The examiners found 12 violations of § 38.2-1833 of the Code of Virginia. The company paid commission to an agency that was not appointed by the company.

Response:

The 8 agencies were identified by the company. On the Violation Summary (By Compliance Item) the following agencies were listed multiple times for the same violation. They are: [REDACTED], listed 3 times, and [REDACTED], also listed 3 times.

[REDACTED] is also listed on this report as a violation, but a review sheet was given back to the Company by the examiners with a withdrawn stamp across the front as the company provided the needed proof of appointment. The appointment proof needed for the [REDACTED] Agency was also given to the examiners, but no response document was returned by the examiners that the company could find. These exhibits are attached for your review. (Exhibit 12)

We agree with the findings and the company immediately appointed the remaining agents, when brought to our attention, on 10/24/2012. These exhibits are attached for your review.

The company respectfully requests that the multiple violations involving the same agency be considered a single violation.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

1. Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insured's' accounts the amount of the overcharge as of the date the error first occurred.

RESPONSE:

The company has sent refunds to the insureds for any overcharges that it agrees with.

The company disagrees with the Bureau on the charge that we failed to calculate the return premium correctly. See page 10.

The company disagrees with the Bureau on the charge that we failed to use the correct symbols. See Exhibit 1.

Corrections for Extra Vehicle classifications have been implemented.

The Medical Expense discount that was applied resulted in an undercharge and has been corrected.

Correction for the one territory error has been implemented.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

2. Include six percent (6%) simple interest in the amount refunded and/or credit to the insured's account.

RESPONSE:

6% simple interest will be included in amount refunded to the insured.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

3. Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

RESPONSE:

See Exhibit 13 with exception to the first one listed since 2011 and subsequent symbols were filed and approved with the VA BOI.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

4. Specify accurate information in the policy by listing only forms applicable to the policy on the declaration page.

RESPONSE:

This procedure was implemented by the company on October 25, 2012 by the way of system modification. Only forms applicable are listed on the declaration page. (see Exhibit 14)

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

5. Provide an AUD notice to the insured when the company increases the premium due to information that differs from that which the insured provided on the application.

RESPONSE:

The company is currently making a system modification to ensure that this notice is provided as required.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

6. Apply points to the vehicle customarily operated by the driver who incurred the points.

RESPONSE:

Our employees have been instructed by management to comply with the rules and rates on file with the VA BOI.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

7. Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, territory, surcharges, points for accidents and convictions, symbols, tier eligibility, driver classifications factors, and base and/or final rates.

RESPONSE:

Our employees have been instructed by management to comply with the rules and rates on file with the VA BOI.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

8. Provide the insured with the Credit Adverse Action notice and/or the basis for the adverse notice.

RESPONSE:

The company is currently making a system modification to ensure that this notice is provided as required.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Termination Review

Haulers Insurance Company, Inc. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

RESPONSE:

The company gave a 5 day administrative period after the due date of each payment. If the payment was not received after the administrative period, a Notice of Cancellation providing an additional 17 days of coverage was sent with proof of mail to the policyholder. However, the premium stopped earning on the original payment due date which created an undercharge of premium. The following revisions to this procedure were made on February 4, 2013. Currently, there is not a 5 day administrative period. If the payment is not received on or before the due date, a Notice of Cancellation providing 15 days coverage, as required by the Commonwealth of Virginia, is sent with proof of mail to the policyholder the day after the payment due date.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Termination Review

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

RESPONSE:

HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Termination Review

- (3) Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

RESPONSE:

HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Termination Review

(4) Calculated earned premium according to the filed rules and policy provisions.

RESPONSE:

HICI believes that the policy fee is not a premium charge and therefore, should not be included in any refund of premium.

VA Code Ann. § 38.2-100 defines "rate or "rates" as "any rate of premium, policy fee, membership fee or any other charge made by an insurer for or in connection with a contract or policy of insurance." This is a clear indication that the Legislature of Virginia does not consider premium and policy fees to be the same. Also, HICI has filed premium rates and policy fees separately in Virginia and both have been approved by the Department.

VA Code Ann. § 38.2-508 states:

No person shall:

2. Unfairly discriminate or permit any unfair discrimination between individuals of the same class and of essentially the same hazard (i) in the amount of premium, policy fees, or rates charged for any policy or contract of accident or health insurance, (ii) in the benefits payable under such policy or contract, (iii) in any of the terms or conditions of such policy or contract, or (iv) in any other manner;....

Again, this shows that these are considered separate and distinct from one another.

Therefore, HICI respectfully requests that the Department reconsider its position regarding policy fees as part of premium.

However, if the Department still insists that policy fees are premium then HICI respectfully request that such amounts be refunded from HICI's premium tax.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Termination Review

- (5) Obtain and retain valid proof of mailing the notice of cancellation or nonrenewal to the insured and lienholder.

RESPONSE:

The company does obtain and retain valid proof of mailings for cancellations and non-renewals as recommended.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Termination Review

6. Provide proper notice of cancellation to the lienholder when canceling and/or non-renewing a policy.

RESPONSE:

Cancellation

Proper notice is being provided via LexisNexis ALIRTs.

Non-Renewal

38.2-2208 B of the Code of Virginia states, "If the terms of the policy require the notice of cancellation or refusal to renew to be given to any lienholder,". The terms of the policy as defined in the Loss Payable Clause (PP 03 05 08 86) and the Personal Auto Policy (PP 00 01 01 05) require lienholder notification for cancellations, not nonrenewals. Please see Exhibit 5 for supporting documentation.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Termination Review

7. Cancel private passenger automobile policies only for those reasons permitted by § 38.2-2212 of the Code of Virginia when the notice is mailed after the 59th day of coverage.

RESPONSE:

Our employees have been instructed by management to comply with the rules and rates on file with the VA BOI.

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Termination Review

8. Advise the insured of the availability of other insurance through another insurer, his agent or the VAIP.

RESPONSE:

This advisement has already been implemented by the company as required. (see Exhibit 15)

HICI RESPONSES PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

Haulers Insurance Company, Inc, shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

RESPONSE

The errors have been corrected and checks for the underpayments have been issued and sent to the proper parties. During June 2012, HICI provided training and instruction to claims employees to insure that payment errors do not occur. Management audits the claim files to insure compliance.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (2) Include six percent (6 %) simple interest in the amount paid to the insureds and claimants.

RESPONSE

Payment of the additional 6% interest has been made and sent to the proper parties.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file,

RESPONSE

The "Claims Underpayments Cited during the Examination" form has been completed and is attached to this response. (Exhibit 6)

HICI RESPONSES PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

RESPONSE

During June 2012, HICI provided training and instruction to claims employees to provide more thorough documentation of all conversations of applicable coverages and conversations with all parties so that the file will present an ongoing record of all activities in the claim process. Management audits the claim files to insure compliance.

HICI RESPONSES PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular emphasis should be given to rental benefits available under UMPD, Transportation Expenses coverage, and Medical Expense Benefits coverage.

RESPONSE

During June 2012, HICI provided training and instruction to claims employees to provide more thorough documentation of all conversations of applicable coverages. Additional training and emphasis has been placed in the areas of UMPD, Transportation Expenses coverage, and Medical Expense Benefits coverage. Management audits the claim files to insure compliance.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.

RESPONSE

Training and emphasis has been provided to claims employees stressing the importance of all offers being fair and reasonable based on the facts and the insured's policy provisions. Management audits the claim files to insure compliance.

HICI RESPONSES PART TWO – CORRECTIVE ACTION PLAN

CLAIMS REVIEW

- (7) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.

RESPONSE

We have a procedure in place where a copy of the repair estimate for each insured and claimant is attached to each check sent for the repair of a damaged vehicle. Additional training has been provided for claims employees to insure that the claim file is documented indicating that the estimate of repair is included with the check. Management audits the claim files to insure compliance.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Review of Forms

Haulers Insurance Company, Inc. shall:

- (1) Use the required standard automobile forms filed and adopted by the Bureau.

RESPONSE:

These forms were identified and corrected by the company on 10/16/2012. (Exhibit 7)

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Review of Forms

(2) Use the precise language of automobile forms as filed and approved by the Bureau.

RESPONSE:

These changes were implemented by the company on 10/19/2012. (Exhibit 7)

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Review of Policy Issuance Process

Haulers Insurance Company, Inc. shall:

Provide the applicable forms and endorsements on all new business policies.

RESPONSE:

On 10/19/2012 the company adopted all applicable forms and endorsements on all new business policies as recommended.

HICI RESPONSES PART TWO – CORRECTIVE ACTION PLAN

Review of Statutory Notices

- (1) Develop a glass claim script to properly disclose the use of a Third Party Administrator.

RESPONSE

In July 2012, HICI contracted with [REDACTED] Glass Services which provided a new glass script that was reviewed by the Virginia BOI audit team when they were in our office and was it deemed compliant. A copy is attached to this report. (Exhibit 8)

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Review of Statutory Notices

2. Amend the Adverse Underwriting Decision notice to comply with § 38.2-610 A of the Code of Virginia.

RESPONSE:

The AUD has been corrected and implemented. (see Exhibit 10)

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Review of Statutory Notices

3. Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.

RESPONSE:

Please see corrected Medical Expense Benefits notice attached that has been corrected and implemented.
(see Exhibit 9)

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Review of Statutory Notices

4. Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.

RESPONSE:

Please see corrected Uninsured Motorist Limits notice attached that has been corrected and implemented.
(see Exhibit 9)

HICI RESPONSES
PART TWO - CORRECTIVE ACTION PLAN

Review of Statutory Notices

5. Amend the Credit Score Disclosure notice to comply with the § 38.2-2234 A of the Code of Virginia.

RESPONSE:

Please see exhibit 17 which shows we do include all information required by the statute verbatim. We respectfully request that this violation be withdrawn.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Licensing and Appointment Review

Haulers Insurance Company, Inc. shall:

Appoint agents and agencies within 30 days of the application.

RESPONSE:

The company identified and appointed all agencies on 10/24/2012. (Exhibit 12)

Before agents/agencies are appointed, the file is reviewed by administrative personnel to insure that all required information is included. If any information is absent, the agency is not appointed and doesn't have the ability to write an application with the company.

Applications can no longer be submitted by any agency until the appointments are completed.

HICI RESPONSES
PART THREE - RECOMMENDATIONS

Rating and Underwriting Review

- The company should amend the wording on the declarations page to match the wording found in the VA Personal Auto Policy.

RESPONSE:

Please see exhibit 14 showing our amended Virginia Declaration page.

- The company should amend the declarations pages to include all applicable coverages.

RESPONSE:

Please see exhibit 14 showing our amended Virginia Declaration page.

- The company should file symbol factors for the Standard Program for model years 2011 and greater.

RESPONSE:

See exhibit 1 verifying that symbol factors have been filed and approved by the Bureau.

- The company should update its filed manual to clarify when class factors for Female 30-49 are applicable in the Preferred program, and define the adverse payment activity and time frame for good payment behavior to convert from the Standard Program to the Preferred Program.

RESPONSE:

These recommendations will be a part of 2013 filings with the Bureau.

- The company should update its filed manual to include a rule regarding the Risk Factors and if they are mutually exclusive of one another.

RESPONSE:

These recommendations will be a part of 2013 filings with the Bureau.

HICI RESPONSES
PART THREE - RECOMMENDATIONS

RECOMMENDATIONS

Claims

- The company should make an appropriate reply within ten working days to communications reasonably suggesting a response was expected.

RESPONSE

The claims staff has received additional training making it imperative that responses are made in a timely manner with emphasis on the importance of compliance with the statute and attention to detail insuring that all documents are included in the correct claim file. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should deny a claim in writing and keep a copy of the written denial in the claim file.

RESPONSE

Training has occurred and emphasis has been placed stressing the importance of compliance in issuing written denials where applicable and attention to detail insuring that all documents are included in the correct file. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should document information relating to the application of betterment or depreciation in the claim.

RESPONSE

We currently use an outside vendor to audit repair estimates to insure that betterment is not taken improperly. Additional training has been given to claims employees to insure that if a deduction for betterment or depreciation is taken that a full explanation is given and that the file is documented properly. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should include a correct statement of coverage under which payments are made with all claim payments to insureds.

RESPONSE

Haulers Information Services department has implemented an automated note that appears on all claim check stubs issued to insureds that specifically indicates under which coverage payments are being made.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should pay what is reasonable and necessary, prohibiting arbitrary limits, for the reimbursement of paint and materials to repair a vehicle,

RESPONSE

We currently use an outside vendor to audit repair estimates to insure that a cap is not applied on Virginia claims. The claims staff has also received additional training to insure that no paint or materials cap is applied. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should obtain a written authorization from an insured prior to making payments directly to the medical provider.

RESPONSE

Additional training has been provided to claims employees in the handling of claims involving Medical Expense Benefits with emphasis on application of stacking multiple vehicle coverages, receiving written permission prior to paying medical providers directly, and paying claims promptly when bills are submitted.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should amend the terminology on their automobile claims documents to read "Medical Expense Benefits".

RESPONSE

Changes have been made to claims documents and specific instruction and training has been provided to claims employees in using the correct terminology when referring to "Medical Expense Benefits". Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should pay claimant total loss fees according to Virginia Department of Motor Vehicle Codes § 46.2-627 and § 46.2-693.

RESPONSE

Our formulas used in valuation of total losses and application of fees have been reconfigured to insure that the correct fee is applied in each situation. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should comply with the provisions of their contract,

RESPONSE

Training and emphasis has been provided to claims employees stressing the importance of all offers being fair and reasonable based on the facts and the insured's policy provisions. Management audits the claim files to insure compliance.

HICI RESPONSES PART THREE - RECOMMENDATIONS

CLAIMS

- The company should include the fraud statement on all claim forms required by the company as a condition of payment.

RESPONSE

The following statement has been added to all claim documents that are required as a condition of payment: "It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits."

HICI RESPONSES
PART THREE - RECOMMENDATIONS

Policy Issuance Process

- The company should change the term "Comprehensive" to "other Than Collision" on its declaration page and application.

RESPONSE:

This change has been implemented as recommended by the examiners. Please refer to exhibits 14 & 16.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/bo>

June 21, 2013

VIA UPS 2nd DAY DELIVERY

Mr. Steve Wilkinson
General Manager
Haulers Insurance Co., Inc
1101 New Highway 7
Columbia, TN 38402

Re: Market Conduct Examination
Haulers Insurance Company, Inc. (NAIC #31550)
Examination Period: April 1, 2011 through March 31, 2012

Dear Mr. Wilkinson:

The Bureau of Insurance (Bureau) has reviewed the company's (Company) May 1, 2013 response to the Preliminary Market Conduct Report (Report) of the above referenced company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business

- (3a) After further review, the violation for RPA023 has been removed from the Report. The Report has been renumbered to reflect this change.
- (3b) The violation for RPA015 remains in the Report. The Company's Exhibit 1 relates to symbols in the Preferred Auto Program. This policy was written in the Company's Standard tier. It appears that the company did not have symbols filed for the Standard Tier during the policy period. The Company has not provided any additional information for the Bureau to reconsider its original finding related to the Standard Auto Program.
- (3d) After further review, the violations for RPA019, RPA021, RPA023, RPA024 and RPA025 have been removed from the Report. The Company provided the requested documentation. The Report has been renumbered to reflect this change.

Automobile Renewal Business

- (3b) The violations in this section remain in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings. The Company cannot surcharge an insured without evidence of a conviction date.
- (3c) The violation for RPA028 remains in the Report. The Company's Exhibit 1 relates to symbols in the Preferred Auto Program. This policy was written in the Company's Standard Tier. It appears that the company did not have symbols filed for the Standard Tier during the policy period. The Company has not provided any additional information for the Bureau to reconsider its original finding related to the Standard Auto Program.

Terminations

Company Initiated – Cancellations

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of "rate" in §38.2-100 of the Code of Virginia and "supplementary rate information" found in §38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the company's premium taxes.
- (2) The violation for TPA003 remains in the Report. It is the company's responsibility to assure that the USPS stamp clearly confirms the date of mailing.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of "rate" in §38.2-100 of the Code of Virginia and "supplementary rate information" found in §38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the company's premium taxes.

Requested By the Insured

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of "rate" in §38.2-100 of the Code of Virginia and "supplementary rate information" found in §38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the company's premium taxes.

- (2) The violations for TPA040 and TPA 044 remain in the Report. The company's form requires advance written notice of cancellation. The company cancelled both of these policies using an effective date prior to the date of the written notice. If the company wishes to cancel without advance written notice, the company should file a broadening of its form and permit cancellations without advance notice.

Company Initiated Non-renewals

- (1) The violation for TPA054 remains in the Report. It is the Company's responsibility to assure that the USPS stamp clearly confirms the date of mailing.
- (2) After further review, these violations have been removed from the Report.

Policy Issuance New Business

- (1) The violations in this section remain in the Report. The Company was instructed in the Data Call, as well as in the initial conference call, to provide all of the material that is mailed to the insured on a new business policy. The policies provided by the Company did not include the Amendment of Policy Provisions-Virginia (PP 01 99 07 06) endorsement and the Uninsured Motorist Coverage-Virginia (PP 14 03 01 05) endorsement.

Notices

General Statutory Notices

- (1) The violation for NGS004 remains in the Report. The Company's notice "Form 6537" is not in compliance with §38.2-610 A of the Code of Virginia. The Company should refer to Administrative Letter 1981-16 for a prototype with compliant language.

Statutory Vehicle Notices

- (4) The initial Report cited the violation as a noncompliant Credit Score Disclosure notice. The violation should have cited the failure to comply with the Credit Adverse Action notice requirements. The Report has been amended to reflect the correct violation. The violation for NSV005 remains in the Report. The Company submitted two notices. This violation relates to the company's notice identified as "CREDITNT". The notice submitted in Exhibit 17 is the notice found on the Company's application and not the subject of this violation. The "CREDITNT" notice does not comply with §38.2-2234 A2 of the Code of Virginia. The notice does not state that the adverse action was as a result of credit.

Licensing and Appointment Review

AGENCY

The violations for AY001, AY018 and AY020 remain in the Report. The agency was not appointed within 30 days of applications dated 4/21/2011, 3/20/2012 and 8/17/2011 respectively.

The violations for AY002 and AY006 remain in the Report. The agency was not appointed within 30 days of the applications dated 4/29/2011 and 7/1/2011, respectively.

The violation for AY005 remains in the Report. The violation was withdrawn and was later reinstated. The agency was not appointed within 30 days of the application dated 5/31/2011.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) The Company should make restitution as indicated on the enclosed excel spreadsheet.

Terminations

- (2) The Company should provide evidence of payment for all of the overcharges cited in the restitution spreadsheet.
- (3) The Company should provide evidence of payment for all of the overcharges cited in the restitution spreadsheet.
- (4) The Company should provide evidence of restitution as indicated in the enclosed spreadsheet.

Notices

- (1) The Company's amended Adverse Underwriting Decision (AUD) notice does not comply with § 38.2-610 of the Code of Virginia. The notice in the Company's Exhibit 10 is a cancellation notice. The Company must have an AUD notice for those instances when an adverse decision has been made that does not result in termination of the policy. Please refer to Administrative Letter 1981-16 for the suggested language provided in the prototype.

PART THREE – RECOMMENDATIONS

Rating

- The Company should provide a declaration page from production showing the Transportation Expense coverage.
- The Company should file symbol factors for the Standard Program for model year 2011 and greater. Exhibit 1 in the company's response relates to the Preferred Auto Program.
- A Recommendation has been added to the Report. The Bureau recommends that the Company update its Preferred Auto Program eligibility Rule 1.B.2 to include third party vendors as part of the prior insurance verification process.

Notices

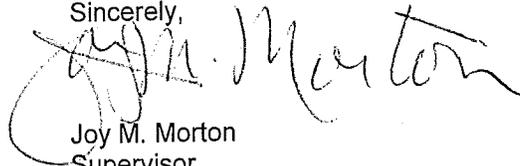
- We recommend the Company provide a copy of the revised notices for our review prior to implementation.

Enclosed with this letter is a revised version of the Report, technical reports and a revised Restitution Spreadsheet.

The Company's response to this letter is due in the Bureau's office by July 12, 2013. Please keep in mind that the insured's and/or claimant's names, policy numbers, claim numbers or any other personally identifiable information should not be included in your response. Please reference only the BOI identifiers.

Should you have any questions please feel free to contact me.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



Service Second to None

HAULERS INSURANCE COMPANY, INC.

SINCE 1986

A Shelter Insurance® Company

July 10, 2013

Joy Morton
Supervisor, Market Conduct Section
VA Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218



Re: Market Conduct Examination
Haulers Insurance Company, Inc. (NAIC #31550)
Examination Period: April 1, 2011 through March 31, 2012

Dear Ms. Morton,

Please find enclosed our response to your Observations, Corrective Action Plan and Recommendations dated June 21, 2013. This response follows the order and instruction you have provided. A number of exhibits have also been included to support our response. Any revised notices we have included for review will not be implemented prior to your approval.

Thank you in advance for your review and consideration of our responses. Please feel free to contact me should you have any questions or need additional information.

Respectfully,

A handwritten signature in cursive script that reads 'Steve Wilkinson'.

Steve Wilkinson
General Manager
Haulers Insurance Company, Inc.
877-269-9360
931-981-6165 Fax
swilkinson@hici.net

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Automobile New Business

(3b) The violation for RPA015 remains in the Report. The Company’s Exhibit 1 relates to symbols in the Preferred Auto Program. This policy was written in the Company’s Standard tier. It appears that the Company did not have symbols filed for the Standard tier during the policy period. The Company has not provided any additional information for the Bureau to reconsider its original finding related to the Standard Auto Program.

RESPONSE:

The Company is not in agreement with the violation for RPA015. Additional documentation is being provided and labeled Exhibit 18. This exhibit confirms the symbols were filed and approved for the Standard Auto Program.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Automobile Renewal Business

- (3b) The violations in this section remain in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings. The Company cannot surcharge an insured without evidence of a conviction date.

RESPONSE

Although the Company is not in agreement with this violation, we are willing to accept as a MVR showing this conviction cannot be provided since it is now over 36 months old.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Automobile Renewal Business

- (3c) The violation for RPA028 remains in the Report. The Company’s Exhibit 1 relates to symbols in the Preferred Auto Program. This policy was written in the Company’s Standard tier. It appears that the Company did not have symbols filed for the Standard tier during the policy period. The Company has not provided any additional information for the Bureau to reconsider its original finding related to the Standard Auto Program.

RESPONSE

The Company is not in agreement with the violation for RPA028. Additional documentation is being provided and labeled Exhibit 18. This exhibit confirms the symbols were filed and approved for the Standard Auto Program.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Company Initiated – Cancellations

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of “rate” in 38.2-100 of the Code of Virginia and “supplementary rate information” found in 38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the Company’s premium taxes.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Company Initiated – Cancellations

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (2) The violation for TPA003 remains in the Report. It is the Company’s responsibility to assure that the USPS stamp clearly confirms the date of mailing.

RESPONSE

Although not in agreement of the violation with TPA003 as we have no authority over the USPS, the company is willing to accept.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Company Initiated – Cancellations

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of “rate” in 38.2-100 of the Code of Virginia and “supplementary rate information” found in 38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the Company’s premium taxes.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Requested by the Insured

- (1) The violations in this section remain in the Report. The Bureau agrees that fees are included in the definition of “rate” in 38.2-100 of the Code of Virginia and “supplementary rate information” found in 38.2-1901 of the Code of Virginia. As such, fees related to the underwriting and pricing of a risk are considered premium and may not be fully earned. Per our June 7, 2013 conversation, the restitution of the prorated policy fees will not affect the Company’s premium taxes.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Requested by the Insured

- (2) The violations for TPA040 and TPA044 remain in the Report. The Company’s form requires advance written notice of cancellation. The Company cancelled both of these policies using an effective date prior to the date of the written notice. If the Company wishes to cancel without advance written notice, the Company should file a broadening of its form and permit cancellations without advance notice.

RESPONSE

The Company is not in agreement with the violations for TPA040 and TPA044, as the cancellations for the insured’s were handled as requested in writing. However, the Company is willing to accept and you will find Exhibit 19 attached eliminating the advance notification.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Company Initiated Non-renewals

- (1) The violation for TPA054 remains in the Report. It is the Company’s responsibility to assure that the USPS stamp clearly confirms the date of mailing.

RESPONSE

Although not in agreement with the violation with TPA003 as the Company has no authority over the USPS, we are willing to accept.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Policy Issuance New Business

- (1) The violations in this section remain in the Report. The Company was instructed in the DATA Call, as well as in the initial conference call, to provide all the materials that are mailed to the insured on a new business policy. The policies provided by the Company did not include the Amendment of Policy Provisions-Virginia (PP 01 99 07 06) endorsement and the Uninsured Motorist Coverage-Virginia (PP 14 03 01 05) endorsement.

RESPONSE

Since the material was not provided as instructed in the Data Call, the Company is willing to accept.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Notices

General Statutory Notices

- (1) The violation for NGS004 remains in the Report. The Company’s notice “Form 6537” is not in compliance with 38.2-610 A of the Code of Virginia. The Company should refer to Administrative Letter 1981-16 for a prototype with compliant language.

RESPONSE

We are not in agreement with violation NGS004, as the incorrect form was provided due to a misunderstanding of the requested form. Exhibit 20 is being submitted which shows the Company’s notice that is provided to insureds and is in compliance with 38.2-610.A of the Code of Virginia.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Notices

Statutory Vehicle Notices

- (4) The initial Report cited the violation as a noncompliant Credit Score Disclosure notice. The violation should have cited the failure to comply with the Credit Adverse Action notice requirements. The Report has been amended to reflect the correct violation. The violation for NSV005 remains in the Report. The Company submitted two notices. This violation relates to the Company’s notice identified as “CREDITNT”. The notice submitted in Exhibit 17 is the notice found on the Company’s application and not the subject of this violation. The “CREDITNT” notice does not comply with 38.2-2234 A2 of the Code of Virginia. The notice does not state that the adverse action was as a result of credit.

RESPONSE

The company agrees it did not specifically use the term “credit” in the notice. However, we were advising the specific reason codes regarding credit activity. We have attached our revision that was done on 11-26-2012 which specifically uses the term “credit”. Please see Exhibit 24.

HICI RESPONSES
PART ONE – THE EXAMINERS’ OBSERVATIONS

Notices

Licensing and Appointment Review

AGENCY

The violations for AY001, AY018 and AY020 remain in the Report. The agency was not appointed within 30 days of applications dated 4/21/2011, 3/30/2012 and 8/17/2011 respectively.

The violations for AY002 and AY006 remain in the Report. This agency was not appointed within 30 days of the applications dated 4/29/2011 and 7/1/2011, respectfully.

The violation for AY005 remains in the Report. The violation was withdrawn and was later reinstated. The agency was not appointed within 30 days of the application dated 5/31/2011.

RESPONSE

The company is in agreement with these findings.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) The company should make restitution as indicated on the enclosed excel spreadsheet.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Terminations

- (2) The Company should provide evidence of payment for all of the overcharges cited in the restitution spreadsheet.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

- (3) The Company should provide evidence of payment for all of the overcharges cited in the restitution spreadsheet.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

- (4) The Company should provide evidence of restitution as indicated in the enclosed spreadsheet.

RESPONSE

Although the Company disagrees that the policy fees should be included in the definition of premium, we have provided the refunds as requested. Please see Exhibit 23.

HICI RESPONSES
PART TWO – CORRECTIVE ACTION PLAN

Notices

- (1) The Company's amended Adverse Underwriting Decision (AUD) notice does not comply with 38.2-610 of the Code of Virginia. The notice in the Company's Exhibit 10 is a cancellation notice. The Company must have an AUD notice for those instances when an adverse decision has been made that does not result in termination of the policy. Please refer to Administrative Letter 1981-16 for the suggested language provided in the prototype.

RESPONSE

Please see Exhibit 20 which is the Company's Adverse Underwriting Decision Notice that is compliant with 38.2-610 of the Code of Virginia. We apologize for our misunderstanding and providing the incorrect notice in our initial response.

HICI RESPONSES
PART THREE – RECOMMENDATIONS

Rating

- The Company should provide a declaration page from production showing the Transportation Expense coverage.

RESPONSE

Please see Exhibit 21 which is a declaration page showing the Transportation Expense coverage.

- The Company should file symbol factors for the Standard Program for model year 2011 and greater. Exhibit 1 in the Company's response relates to the Preferred Auto Program.

RESPONSE

Please see Exhibit 18 which confirms the requested symbol factors were filed and approved for the Standard Program.

- A recommendation has been added to the Report. The Bureau recommends that the Company update its Preferred Auto Program eligibility Rule 1.B.2 to include third party vendors as part of the prior insurance verification process.

RESPONSE

HICI understands this recommendation and will provide this update in a future rule filing. Please see Exhibit 22 as an example.

HICI RESPONSES
PART THREE – RECOMMENDATIONS

Notices

- We recommend the Company provide a copy of the revised notices for our review prior to implementation.

RESPONSE

The Company will implement the revised notices after your review and approval.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

July 17, 2013

VIA UPS 2nd DAY DELIVERY

Mr. Steve Wilkinson
General Manager
Haulers Insurance Co., Inc.
1101 New Highway 7
Columbia, TN 38402

Re: Market Conduct Examination
Haulers Insurance Company, Inc. (NAIC #31550)
Examination Period: April 1, 2011 through March 31, 2012

Dear Mr. Wilkinson:

The Bureau of Insurance (Bureau) has concluded its review of the Company's response of July 10, 2013. Based upon the Bureau's review of the Company's letter, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Haulers Insurance Company, Inc., (Report), withdrawn review sheets, and updated technical reports.

Rating and Underwriting

New Business Rating and Underwriting

- 3a) After further review the violation for RPA010, for failing to use the correct symbol, has been withdrawn.

Renewal Business Rating and Underwriting

- 3c) After further review the violation for RPA028, for failing to use the correct symbol, has been withdrawn.

Notices

Statutory Vehicle Notices

- 2) After further review the violation of § 38.2-2202 A of the Code of Virginia for review item NSV003 has been withdrawn.
- 3) After further review the violation of § 38.2-2202 B of the Code of Virginia for review item NSV004 has been withdrawn.

Other Notices

After further review the violation of § 38.2-610 A of the Code of Virginia for review item NON001 has been withdrawn.

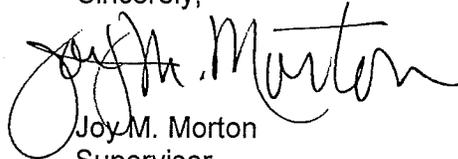
Based on the Bureau's review of the Report and the Company's responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-305 A, 38.2-517 A, 38.2-610 A, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2220, and 38.2-2234 A of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



Service Second to None

HAULERS INSURANCE COMPANY, INC. STATE CORPORATION COMMISSION INSURANCE

SINCE 1986

13 JUL 29 AM 7:44

Mary Bannister
Deputy Commissioner
Property and Casualty
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

400086

RE: Market Conduct Examination Settlement Offer
Haulers Insurance Company Inc. (NAIC#31550)
Examination Period: April 1, 2011 - March 31, 2012

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter July 19, 2013, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-305 A, 38.2-517 A, 38.2-610 A, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2220, and 38.2-2234 A of the Code of Virginia; as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$32,000.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of May 1, 2013 and July 10, 2013.
3. We confirm that restitution was made to 25 consumers for \$14,809.45 in accordance with the company's letters of May 1, 2013 and July 10, 2013.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

P. O. Box 270
Columbia, TN 38402-0270

Claims:
888.296.7419

All Other:
800.346.6071

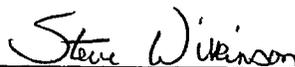
Fax:
800.296.0419

Rated "A" by A.M. Best Company

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

Haulers Insurance Company, Inc.



(Signed)

Steve Wilkinson

(Type or Print Name)

General Manager

(Title)

July 26, 2013

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

Haulers Insurance Company, Inc. has tendered to the Bureau of Insurance the settlement amount of \$32,000.00 by its check numbered 147203 and dated July 26, 2013, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

130830219

AT RICHMOND, AUGUST 26, 2013

CLERK'S OFFICE
COURT CONTROL CENTER

2013 AUG 26 A 9 48

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2013-00188

HAULERS INSURANCE COMPANY, INC.,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Haulers Insurance Company, Inc. ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated § 38.2-305 A of the Code of Virginia ("Code") by failing to provide the information required by the statute in the insurance policy; violated §§ 38.2-610 A, 38.2-2202 A, 38.2-2202 B, and 38.2-2234 A of the Code by failing to accurately provide the required notices to insureds; violated § 38.2-1833 of the Code by paying commissions to an agent that was not appointed within 30 days of the application; violated § 38.2-1905 C of the Code by assigning points under a safe-driver insurance policy to any vehicle other than the vehicle customarily driven by the operator responsible for incurring points; violated § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; violated §§ 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, and 38.2-2212 E of the Code by failing to properly terminate policies; violated § 38.2-2220 of the Code by using forms that did not contain the precise language of the standard forms filed and adopted by the Commission; and violated § 38.2-517 A of the Code, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A,

14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to the Commonwealth the sum of Thirty-two Thousand Dollars (\$32,000), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letters to the Bureau dated May 1, 2013, and July 10, 2013, and confirmed that restitution was made to 25 consumers in the amount of Fourteen Thousand Eight Hundred Nine Dollars and Forty-five Cents (\$14,809.45).

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

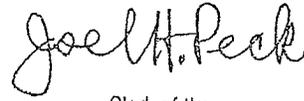
Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Steve Wilkinson, General Manager, Haulers Insurance Company, Inc., 1101 New Highway 7, Columbia, Tennessee 38402; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.

A True Copy
Teste:



Clerk of the
State Corporation Commission