

MARKET CONDUCT EXAMINATION REPORT

OF

SAFE AUTO INSURANCE COMPANY

AS OF

MARCH 31, 2014

**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, Andrea Baytop, Principal Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Safe Auto Insurance Company as of March 31, 2014, conducted at the company's office in Columbus, Ohio is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2016-00149 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of the Bureau
at the City of Richmond, Virginia,
this fifth day of July, 2016.

Andrea Baytop

Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger auto line of business written by Safe Auto Insurance Company at its office in Columbus, Ohio.

The examination commenced June 23, 2014 and concluded December 5, 2014. Brandon L. Ayers, Andrea D. Baytop, Ju'Coby D. Hendrick, Melody S. Morrissette, Karen S. Gerber, 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 February 19, 2014 and was assigned the examination number of VA097-M13. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILE

Safe Auto Insurance Company (SAIC) was incorporated under the laws of Ohio as a corporation in 1993 and maintains its principal place of business in Columbus, Ohio. SAIC was authorized to transact the business of insurance in Virginia on November 30, 2010 and commenced operating shortly thereafter. SAIC is owned by Safe Auto Insurance Group, Inc., an insurance holding company also based in Columbus, Ohio, and primarily owned by the Deshe and Diamond families.

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 as noted in the table.

	SAIC
NAIC Company Number	25405
LICENSED IN VIRGINIA	11/30/2010
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	
Commercial Multi-Peril	
Credit	
Farmowners Multi-Peril	
Fidelity	
Fire	
General Liability	
Glass	
Homeowner Multi-Peril	
Inland Marine	
Miscellaneous Property	
Ocean Marine	
Surety	
Water Damage	
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2013 for the lines of insurance included in this examination.* This business was developed through captive agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Safe Auto Insurance Company		
Private Passenger Automobile Liability	\$2,182,401	0.08%
Private Passenger Automobile Physical Damage	\$759,626	0.04%

* Source: The 2013 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 line of business written in Virginia for the period beginning April 1, 2013 and ending March 31, 2014. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance,* 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.

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

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 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	Population				
	Sample Requested	<u>FILES</u> <u>REVIEWED</u>	<u>FILES NOT</u> <u>FOUND</u>	<u>FILES</u> <u>WITH</u> <u>ERRORS</u>	<u>ERROR</u> <u>RATIO</u>
<u>Private Passenger Auto</u>					
New Business	<u>6960</u> 40	40	0	40	100%
Renewal Business	<u>2213</u> 25	25	0	25	100%
Co-Initiated Cancellations ¹	<u>46</u> 28	28	0	20	71%
All Other Cancellations	<u>8474</u> 57	57	0	43	75%
<u>Claims</u>					
Auto ²	<u>553</u> 87	85	0	75	88%

Footnote ¹ The company only reported one cancellation in the After the 60th Day of Coverage category. The examiners discovered 11 additional cancellations that the company misrepresented in other termination categories. The company was unable to provide accurate termination data populations.

Footnote ² Two claim files were previously handled by the Bureau's Consumer Services Section and were not reviewed in this examination.

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 Bureau reviewed 40 new business policy files. During this review, the examiners found overcharges totaling \$890.00 and undercharges totaling \$414.00. The net amount that should be refunded to insureds is \$890.00 plus six percent (6%) simple interest.

- (1) The examiners found 57 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute.
 - a. In 17 instances, the company incorrectly listed the Super Saver discount as applicable and displayed incorrect vehicle premiums on the declarations page.
 - b. In 40 instances, the company incorrectly listed endorsements on the declarations page that were not applicable to the policy.
- (2) The examiners found 67 violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page misrepresented the Application Fee and the maximum number of disablements for the Towing and Labor Coverage.

- (3) The examiners found two violations of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring points.
- (4) The examiners found 28 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 14 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In six instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In eight instances, the company failed to use the correct symbol.

Automobile Renewal Business Policies

The Bureau reviewed 25 renewal business policy files. During this review, the examiners found overcharges totaling \$279.00 and undercharges totaling \$358.00. The net amount that should be refunded to insureds is \$279.00 plus six percent (6%) simple interest.

- (1) The examiners found 44 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute.
- a. In 20 instances, the company incorrectly listed the Super Saver discount as applicable and displayed incorrect vehicle premiums on the declarations page.
 - b. In 24 instances, the company incorrectly listed endorsements on the declarations page that were not applicable to the policy.

- (2) The examiners found 16 violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page misrepresented the maximum number of disablements for the Towing and Labor Coverage, and included inaccurate reference to information obtained from the Motor Vehicle Report (MVR).
- (3) The examiners found 26 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 24 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, 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 symbol.

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 Bureau reviewed 17 automobile cancellations that were initiated by the company where the notice was mailed prior to the 60th day of coverage in the initial policy period. During this review, the examiners found overcharges totaling \$7.94 and no undercharges. The net amount that should be refunded to insureds is \$7.94 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-228 of the Code of Virginia. The company failed to file proof of financial responsibility with the Department of Motor Vehicles without unreasonable delay.
- (2) The examiners found one violation 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 earned premium correctly.
- (3) The examiners found two violations 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.
- (4) The examiners found seven violations of § 38.2-2208 B of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the lienholder.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed 11 automobile cancellations that were initiated by the company where the notice was mailed 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. During this review, the examiners found overcharges totaling \$14.63 and undercharges totaling \$118.57. The net amount that should be refunded to insureds is \$14.63 plus six percent (6%) simple interest.

- (1) The examiners found five violations of § 38.2-228 of the Code of Virginia. The company failed to file proof of financial responsibility with the Department of Motor Vehicles without unreasonable delay.
- (2) The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The cancellation notice displayed an incorrect policy number and cancellation effective date.

- (3) The examiners found five 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 earned premium correctly.
- (4) The examiners found two violations of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (5) The examiners found 11 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 after the 59th day of coverage.
- (6) The examiners found 11 violations of § 38.2-2212 E of the Code of Virginia. The company failed to mail the notice of cancellation to the insured at least 45 days prior to the effective date of cancellation.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 38 automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$16.58 and undercharges totaling \$20.17. The net amount that should be refunded to insureds is \$16.58 plus six percent (6%) simple interest.

- (1) The examiners found seven 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 earned premium correctly.
- (2) The examiners found 20 violations 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.
- (3) The examiners found ten violations of § 38.2-2208 B of the Code of Virginia.

- a. In four instances, the company failed to provide proper notice of cancellation to the lienholder.
 - b. In six instances, the company failed to retain proof of mailing the cancellation to the lienholder.
- (4) The examiners found two violations of § 38.2-2212 E of the Code of Virginia.
- a. In one instance, the company failed to mail the cancellation notice to the insured's address shown on the policy.
 - b. In one instance, the company failed to mail the cancellation notice at least 15 days prior to the effective date of cancellation.
- (5) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to send the cancellation to the lienholder at least 15 days prior to the effective date of cancellation.

REQUESTED BY THE INSURED

The Bureau reviewed 19 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found overcharges totaling \$49.91 and undercharges totaling \$277.17. The net amount that should be refunded to insureds is \$49.91 plus six percent (6%) simple interest.

- (1) 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. The company failed to calculate the earned premium correctly.
- (2) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In one instance, the company failed to use the cancellation date requested by the insured.

- b. In one instance, the company failed to obtain advance notice of cancellation from the insured.
- c. In six instances, the company failed to retain evidence of the insured's request for cancellation of the policy.

Company-Initiated Nonrenewals – Automobile Policies

The company's population files did not include any nonrenewals that were initiated by the company.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 85 automobile claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$2,719.72 and underpayments totaling \$21,757.50. The net amount that should be paid to claimants is \$20,757.51 plus six percent (6%) simple interest.

- (1) The examiners found 44 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 41 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, the benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.

- a. In five instances, the company failed to inform an insured of his Collision or Other Than Collision deductible when the file indicated that the coverage was applicable to the loss.
- b. In five instances, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- c. In 22 instances, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- d. In nine instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

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 A. The company failed, upon receiving notification of a claim, to acknowledge the claim within ten working days.
- (4) The examiners found ten 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.

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

- (5) The examiners found one violation of 14 VAC 5-400-50 D. The company failed to provide reasonable assistance to an insured during the handling of a claim.
- (6) The examiners found two violations of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (7) The examiners found 11 violations 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.

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

- (8) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (9) The examiners found 22 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 two instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverages applied to the claim.
 - b. In four instances, the company failed to pay the insured's UMPD claim properly.
 - c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.
 - d. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits

coverage.

- e. In ten instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Other than Collision or Collision coverage.

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

(10) The examiners found 23 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 17 instances, the company failed to provide a copy of the estimate to the insured.
- b. In six 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.

(11) 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.

(12) The examiners found one violation of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement/payment was issued to the claimant's attorney/representative.

- (13) The examiners found 18 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- a. In 13 instances, the company issued written communications that misrepresented pertinent facts of the claim.
 - b. In five instances, the company failed to properly convey to the insured and/or claimant the company's obligation concerning payment of the rental or loss of use claim.

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

- (14) The examiners found one violation of § 38.2-510 A 2 of the Code of Virginia. The company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under the insurance policy.
- (15) The examiners found four violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (16) The examiners found nine violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

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

- (17) The examiners found 55 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.

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

- (18) The examiners found four violations of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- a. In one instance, the company failed to pay the claimant's property damage claim properly.
 - b. In three instances, the company failed to pay the claimant's claim for rental of a comparable substitute vehicle properly.
- (19) The examiners found one violation of § 38.2-510 A 17 of the Code of Virginia. The company failed to perform a personal inspection of the damaged vehicle before an appraisal was issued.
- (20) The examiners found one violation of § 38.2-510 C of the Code of Virginia. The company failed to accurately disclose the required aftermarket parts notice to the vehicle owner either on the estimate of repairs or in a separate document.
- (21) The examiners found three violations of § 38.2-517 A 6 of the Code of Virginia. The company set arbitrary or unreasonable limits on the reimbursement for paint and/or materials.
- (22) The examiners found one violation 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.
- (23) The examiners found ten occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company failed to include the lienholder on the

insured's check.

- b. In six instances, the company paid an insured more than he/she was entitled to receive under the terms of the policy.
- c. In three instances, the company failed to pay an Uninsured Motorist (UM) claim properly.

Other Law Violations

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

- (1) The examiners found two violations of § 8.01-425.1 of the Code of Virginia. The company failed to provide the right of rescission when the claimant or insured was not represented by an attorney.
- (2) The examiners found 12 violations of § 52-40 of the Code of Virginia. The company failed to include the fraud statement 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 line 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 the 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 Process section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

Automobile Policy FormsPOLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 12 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED

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 line 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 enclosed and listed all of the applicable policy forms on the declarations page. 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: April 10, 14, 16, and 17, 2014. In addition, the company provided five renewal business policies mailed on April 3, 4, and 21, 2014.

NEW BUSINESS POLICIES

- (1) The examiners found five violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the

- statute. The company incorrectly listed endorsements on the declarations page that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company failed to provide a list of all applicable fees to the insured in writing.
 - (3) The examiners found 11 violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page misrepresented the maximum number of disablements the Application Fee and for the Towing and Labor Coverage. The company sent a letter to the insured misrepresenting the Transportation Expenses coverage.
 - (4) The examiners found five violations of § 38.2-2234 A 2 of the Code of Virginia. The company failed to send the insured a Credit Adverse Action notice at the time of application.

RENEWAL BUSINESS POLICIES

- (1) The examiners found five violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute. The company incorrectly listed endorsements on the declarations page that were not applicable the policy.
- (2) The examiners found four violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page misrepresented the maximum number of disablements for the Towing and Labor Coverage.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company's statutory notices used during the examination period and those that are currently used for the line 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 the 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.

General Statutory Notices

The examiners found no violations in this area.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-2202 A of the Code of Virginia. The company failed to provide the Medical Expense Benefits notice in boldface type as required by statute.
- (2) 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 boldface type as required by the statute.
- (3) The examiners found two violations of § 38.2-2234 A of the Code of Virginia.
 - a. In one instance, the company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.
 - b. In one instance, the company failed to include all of the information required by the statute in its Credit Adverse Action notice.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business private passenger automobile policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the company as required by Virginia insurance statutes. In addition, the agent or agency to which the company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found 18 violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of application.

Agency

The examiners found no violations in this area.

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 one violation of § 38.2-511 of the Code of Virginia. The company failed to maintain a complete complaint register in compliance with this statute.

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 in accordance with § 38.2-613.2 of the Code of Virginia.

The company provided its information security procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. The threshold applied to claims handling was seven percent (7%). Any error ratio above this threshold 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 that were found to be business practices of Virginia insurance statutes and regulations.

General

Safe Auto Insurance Company shall:

Provide a Corrective Action Plan (CAP) with its response to the Report.

Rating and Underwriting Review

Safe Auto Insurance Company 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 it has refunded or credited the overcharges listed in the file.
- (4) Specify accurate information in the policy by listing only those endorsements that are applicable to the policy on the declarations page and displaying correct

discounts and vehicle premiums.

- (5) Properly represent the application fee and coverage benefits.
- (6) Apply accident and conviction points to the vehicle customarily operated by the driver who incurred the points.
- (7) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, and symbols.

Termination Review

Safe Auto Insurance Company 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 "Termination 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) File appropriate proof of financial responsibility with the Department of Motor Vehicles when requested by an insured.
- (5) Properly represent the policy number and cancellation effective date on the cancellation notice.
- (6) Calculate earned premium according to the filed rules and policy provisions.
- (7) Obtain and retain valid proof of mailing the notice of cancellation to the insured and lienholder.

- (8) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by § 38.2-2212 of the Code of Virginia.
- (9) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.
- (10) Send the cancellation notice for nonpayment of premium at least 15 days prior to the effective date of cancellation.
- (11) Provide proper notice of cancellation to the lienholder when canceling a policy.
- (12) Send the cancellation notice to the address listed on the policy.

Claims Review

Safe Auto Insurance Company 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 attention should be given to the Collision or Other Than Collision deductible, Medical Expense Benefits coverage, Transportation

- Expenses coverage, and Uninsured Motorist coverage including rental benefits.
- (6) Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.
 - (7) Make all claim denials in writing and keep a copy in the claim file.
 - (8) 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.
 - (9) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.
 - (10) Properly represent pertinent facts or insurance policy provisions relating to coverages at issue.
 - (11) Make prompt, fair, and equitable settlements of claims where liability is clear.
 - (12) Include the correct statement of coverage under which payments are made with all claim payments made to insureds.

Review of Policy Issuance Process

Safe Auto Insurance Company shall:

- (1) Specify accurate information in the policy by listing only the applicable forms on the declarations page.
- (2) Provide a list of all applicable fees to the insured in writing.
- (3) Properly represent the Transportation Expenses coverage, Towing and Labor coverage and the Application Fee on the declarations page.
- (4) Provide the Credit Adverse Action notice with new business policies as required by the statute.

Review of Statutory Notices

Safe Auto Insurance Company shall:

- (1) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (2) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.
- (3) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 of the Code of Virginia.
- (4) Amend the Credit Adverse Action notice to comply with § 38.2-2234 of the Code of Virginia.

Licensing and Appointment Review

Safe Auto Insurance Company shall:

Appoint agents within 30 days of the date of application.

Review of the Complaint-Handling Process

Safe Auto Insurance Company shall:

Maintain a complete complaint register that is in compliance with § 38.2-511 of the Code of Virginia.

PART THREE – RECOMMENDATIONS

The examiners also 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. The following errors will not be included in the settlement offer:

RECOMMENDATIONS

We recommend that the company take the following actions:

Rating and Underwriting

- The company should cease sending the notice advising the insured that credit is not used in underwriting the policy.
- The company should consistently refer to the Physical Damage Discount using the same term as used in the manual on file with the Bureau.
- The company should ensure that it does not exclude coverage for permissive users that are not rated on the policy.

Termination

- The company should use the cancellation effective date that was stated on the cancellation notice when calculating the return premium.
- The company should not provide the Right to Review notice to insureds for cancellations that occurred within the first 59 days of the policy.
- The company should obtain and retain advance written notice for insured requested cancellations in accordance with its policy provisions.
- The company should provide lienholders with the same advanced notice given to insureds.

Claims

- The company should state in its Claims Manual that the insured is entitled to a comparable vehicle when obtaining a rental vehicle.
- The company should state in its Claims Manual that a Collision Damage Waiver (CDW) must be reimbursed if the claimant does not have

coverage on his/her own vehicle or in the case of an insured, a UMPD claim when there is no Collision or Other Than Collision coverage on the insured's vehicle.

- The company should correct the spelling of “cooperation” on its document used for theft claims.
- The company should not indicate an unreasonable time limit to have a rental vehicle. Insureds and claimants should be provided a reasonable time for a rental vehicle to complete the total loss paperwork, send the paperwork back to the company, and receive the total loss settlement check before the company indicates it will no longer pay for a rental vehicle.
- The company should label Other Than Collision claims as not at fault.
- The company should provide a reasonable explanation of the basis for the denial of a claim or offer of a compromise settlement.
- The company should not set arbitrary or unreasonable limits for paint or materials used in vehicle repairs.

Policy Issuance Process

- The company should disclose all applicable and/or optional fees to the insured in writing.

Notices

- The company's Notice of Information Collection and Disclosure Practices (long version) should state that the company can share personal information with a third party organization without the insured's prior written authorization.
- The company should change the coverage name from “Comprehensive” to “Other Than Collision” on its rental reimbursement notice.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

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

ACKNOWLEDGEMENT

The Bureau acknowledges the officers' and employees' response to requests from the Bureau during the course of the examination.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Baytop". The signature is written in a cursive style with a loop at the end.

Andrea D. Baytop
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

January 26, 2015

VIA UPS 2nd DAY DELIVERY

Jeffrey A. Little
Associate General Counsel
Safe Auto Insurance Company
4 Easton Oval
Columbus, OH 43219-6010

RE: Market Conduct Examination
Safe Auto Insurance Company NAIC# (25405)
Exam Period: April 1, 2013 - March 31, 2014

Dear Mr. Little:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2013, through March 31, 2014. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been withdrawn or revised since December 5, 2014. 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 are unable to remove an item from the Report or modify a violation unless the company provides written documentation to support its position.

Secondly, the company should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the company has comments it wishes to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but were not included in the corrective action plan, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

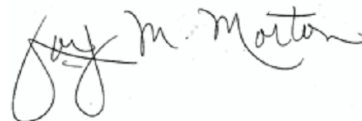
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by March 2, 2015.

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 March 2, 2015.

Sincerely,

A handwritten signature in cursive script that reads "Joy M. Morton". The signature is written in dark ink and is positioned above the typed name.

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



4 Easton Oval
Columbus, OH 43219
1-800-SAFEAUTO
(1-800-723-3288)

April 15, 2015

Ms. Joy Morton, Supervisor
Market Conduct Section
Property & Casualty Division
VIRGINIA BUREAU OF INSURANCE
P.O. BOX 1157
Richmond, Virginia 23218

**Re: Safe Auto Insurance Company Market Conduct Examination (No.: VA097-M13)
Exam Period (April 1, 2013 – March 31, 2014)**

Dear Ms. Morton:

Pursuant to §§38.2 – 1317 of the Code of Virginia, Safe Auto Insurance Company submits the following comments to the preliminary examination report (Report) provided by the Virginia Bureau of Insurance (“Bureau”) on January 26, 2015.

The following commentary includes specific reference to the impacted sections of the Report. All comments included herein should be deemed to include any references to such alleged violations set forth elsewhere in the report. This includes, but is not limited to, the “Examiners’ Observations” set forth on page 7, the “Corrective Action Plan” set forth on page 26 and the “Recommendations” set forth on page 31 of the Report.

Finally, we provided the Bureau with extensive documentation in support of our responses to various criticisms generated throughout the course of this exam. Safe Auto expressly incorporates such documentation as part of its response.

Rating & Underwriting Review

Automobile New & Renewal Business Policies – As there are significant overlaps in the Department’s analysis of these elements, we address them together, with specific reference as to any aspects specific to the new or renewal business subsets.

§38.2-305 (A) -- Page 7 (New Business), Page 8 (Renewal Business)

We agree that the Super Saver discount was misstated on some declarations pages as an Ultra Saver discount, and that the premium was sometimes stated inaccurately for Vehicle 1 on policies with

multiple vehicles (although the total policy premium was accurately stated.) These were the manifestation of a technical issued that has been remedied.

We respectfully disagree with the assertion that our inclusion of forms representing all available coverages in our Policy Book and/or referencing such forms on the Declarations Page constitutes a violation of law, and specifically a violation of the cited provision. The company utilizes a “policy book” concept across all of our states of operation, and these policy books incorporate all available coverages, except in the relatively rare cases where a new product has been developed, and is added by way of amendatory endorsement pending revision of the policy book. The Declarations Page clearly provides that the policy incorporates only those coverages for which a limit/premium is indicated. This methodology has never been criticized by any state in which we transact business, recognizing that we fully and accurately disclose all applicable coverages, and that this methodology enables us to deliver the policy to the consumer in a more cost effective fashion.

The Department’s reliance on §38.2-305(A) as a basis for the alleged violation is misplaced. The relevant portion of that section requires us to “specify . . . 6. The conditions pertaining to the insurance. “There can be no question that all of the conditions applicable to the policy are clearly and fully delineated in the policy. The Department’s stated rationale for this finding was specified in the underlying criticisms as follows:

The company failed to specify in the insurance contract or policy all of the conditions pertaining to the insurance by listing and/or attaching forms on the Declarations page that were not applicable to the policy.

This reasoning is both circuitous and inapplicable. The inclusion of the full spectrum of available coverages, accompanied by a Declarations Page that clearly indicates which coverages are applicable to the policy, and at what limits, simply does not represent a “failure to specify in the policy all conditions.” The statute does not prohibit the process we utilize for policy delivery, and the Department is unable to point to a single condition applicable to a policy that is not fully described. This practice simply is not a violation of the cited section, or of any other provision of Virginia law.

§38.2-502 -- Pages 7-8 (New Business), Page 9 (Renewal Business)

We acknowledge that a programming error in our systems caused application fee and number of disablements to be inaccurately stated on the Declarations page. This programming error has since been corrected. While this may represent a violation of §38.2-504(A) (6), this clearly inadvertent error does not implicate the type of culpable conduct contemplated for misrepresentation under §38.2-502. As to renewal business, we specifically deny any misrepresentation of MVR information, and are unable to correlate this reference to any specific criticism generated during the examination.

§38.2-1905(C) – Page 8 (New Business)

Even assuming that the policy in question was issued pursuant to a “safe-driver insurance plan”, as required by the cited statute, the fact is that the assignment of points was implemented in strict accordance with the rules filed with the Bureau. Accordingly, we could not legally assign points in any other manner, and no violation of the referenced statute has arisen.

§38.2-1906(D) – Page 8 (New Business), Page 9 (Renewal Business)

Safe Auto respectfully but strenuously objects to these findings, which are premised upon our utilization of a VIN decoding mechanism (in this case provided by R.L. Polk & Co.). The use of such systems is ubiquitous within the automobile insurance industry, as they provide a simple and automatic way of “decoding” the information pertaining to vehicle characteristics that is embedded in the Vehicle Identification Number. The nature of the information embedded in the VIN, and the format of that information, changes over time, and services such as this provide an economical and efficient way to track and identify vehicle characteristics.

Once determined, those vehicle characteristics are then evaluated within the confines of our filed rating plan as part of the premium determination. *The VIN decoding process does not involve the modification of rates or factors.* It is simply an industry-standard method of determining vehicle-specific characteristics. The examiners took the position that such a “service” must be filed and approved. This is incorrect – all of the rating factors and algorithms used in determining rates have been filed with the Bureau, and nothing in the VIN decoding process impacts, changes, or supplements the approved rates. Analytically, use of a VIN decoding service is no different than referencing Webster’s Dictionary to determine the meaning of a term used in the rating plan. The Bureau’s rationale would have us file the dictionary as part of the rate filing. That is clearly not required, and the use of a VIN decoding service does not in any way implicate the provisions of §38.2-1906(D).

We also disagree with the assertions made with respect to the surcharge points and symbol usage. As we demonstrated to the examiners, both the surcharge points and symbols utilized were completely consistent with our filed rules, and the facts were properly applied to those rules.

§38.2-1318 – Page 9 (Renewal Business)

We disagree with this finding. While we initially inadvertently provided an incorrect declarations page, that error was corrected. The examiners also were trained for and had full access to our policy management system, where the declarations page was fully available for viewing at all times. There simply was no violation of this section.

Termination Review

Company Initiated Prior to 60th Day

§38.2 – 228 – Page 10

We previously acknowledged these two incidents, have implemented appropriate training.

§38.2-1906(D) – Page 10

We continue to respectfully disagree with these findings, as the premium was calculated appropriately. We have produced extensive documentation and have furnished the relevant calculations supporting this fact.

§38.2-2208(A) – Page 10

We respectfully disagree with this finding. We provided proof of mail fully compliant with the cited statute, as applied in conjunction with Virginia's implementation of UETA (§59.1-479 et seq.) Safe Auto provided documentation displaying all of the information required by the cited code section, and the fact that the proof of mailing is obtained electronically is not an appropriate grounds for an objection. Under §59.1-485 the electronic records produced qualify as a writing, and may not be denied effect because they were generated electronically. These electronic proofs, reduced to writing, fully comply with the statute. Recent statutory clarifications do not represent changes in existing law, but rather clarification of existing law to redress the Department's current misinterpretation of the statute.

§38.2 – 2208(B) – Page 10

We respectfully disagree with these findings, as the company produced all requested proof of mailing. The fact that we were required to work with our vendor to obtain tangible written representations resulting from our data feeds does not amount to a failure of retention.

§46.2 – 482 – Page 11

We respectfully disagree with this finding, as we presented full documentation illustrating that the SR-26 was filed in a timely fashion.

Company Initiated After 59th Day

§38.2 – 228 – Page 11

We strongly disagree with this finding. The proofs of financial responsibility were filed immediately, in full compliance with the statute. The fact that technology constraints required us to issue a new policy to do this is irrelevant to the timeliness requirement of the statute. There is no violation here.

§38.2 – 502 – Page 11

We admit that the notice in question inadvertently included an incorrect date. We deny that this clerical error rises to the level of culpable conduct contemplated by the statute.

§38.2-1906(D) – Page 11

The Company disagrees that there were any miscalculations here. Any differences were due to rounding, which does not implicate the use of unfiled rates, as the finding suggests. We have agreed to pay the amounts documented on the accompanying spreadsheet as an accommodation to the insureds.

§38.2 – 2208(B) – Page 11

We respectfully disagree with these findings, as the company produced all requested proofs of mailing and provided them to the examiners.

§46.2 – 482 – Page 11

We respectfully disagree with this finding, as we presented full documentation illustrating that the SR-26 was filed in a timely fashion.

§38.2-2212(D) – Page 11-12

We respectfully disagree with this finding. Each of the policies involved here was terminated at the insured's request to facilitate issuance of an SR-22, as technical limitations in the policy management system do not permit adding an SR-22 to an existing policy, but require inclusion of the SR-22 at inception.

§38.2-2212(E) – Page 12

We respectfully disagree with this finding, for the same reason discussed in response to the previous finding. These policies were cancelled by mutual agreement to facilitate the issuance of an SR-22, and the 45 day timeline is inapplicable. We also note that the inclusion of both the prior finding and this finding amounts to impermissible bootstrapping of the alleged violations.

Other Cancellations – Nonpayment of Premium

§38.2 – 502 – Page 12

We respectfully disagree with this finding, as we are unable to locate any criticism generated in connection with the examination that references this issue.

§38.2-1906(D) – Page 12

We continue to respectfully disagree with these findings, as the premium was calculated appropriately. We have produced extensive documentation and have furnished the relevant calculations supporting this fact. Any minor differences in calculations are due solely to rounding.

§38.2-2208(A) – Page 12

We respectfully disagree with this finding. We provided proof of mail fully compliant with the cited statute, as applied in conjunction with Virginia’s implementation of UETA (§59.1-479 et seq.) Safe Auto provided documentation displaying all of the information required by the cited code section, and the fact that the proof of mailing is obtained electronically is not an appropriate grounds for an objection. Under §59.1-485 the electronic records produced qualify as a writing, and may not be denied effect because they were generated electronically. These electronic proofs, reduced to writing, fully comply with the statute. Recent statutory clarifications do not represent changes in existing law, but rather clarification of existing law to redress the Department’s current misinterpretation of the statute.

§38.2 – 2208(B) – Page 12

We respectfully disagree with these findings, as the company produced all requested proof of mailing, demonstrating that proper notice was provided. The fact that we were required to work with our vendor to obtain tangible written representations resulting from our data feeds does not amount to a failure of retention.

§38.2-2212(E) – Page 13

We respectfully disagree with this finding. We mailed the cancellation notice to the address on file with the company, as required by law. The insured’s change of address had not been ingested into the system at the time the cancellation notice processed. Processing of changes of address is not instantaneous, and at the time cancellation was processed, the cancellation used the address on file with the company. There is no violation of law here. We previously acknowledged the error in the second matter, noting that a second notice had been issued with proper time parameters.

Policy Violations – Page 13

We respectfully disagree with this finding, as we believe all of the involved notices were sent in a timely fashion.

§46.2 – 482 – Page 13

We respectfully disagree with this finding, as we presented full documentation illustrating that the SR-26 was filed in a timely fashion in each of these instances.

Insured Request Cancellation

§38.2-1906(D)

We previously acknowledged one instance where an undercharge arose, due to our waiver of a policy fee on a re-write. Other than that single instance, we respectfully disagree with the finding, as all refunded premium was calculated appropriately, and proof of those calculations provided to the examiners.

Violation of Policy Provisions

We have no record of any criticisms raising these specific issues, and accordingly disagree with any such findings.

Claims Review

We respectfully disagree with many of the alleged violations in the Report. We also found many discrepancies in the Bureau's list of "underpayments," attached to the Report.

The Report alleges certain violations to occur with "such frequency as to indicate a general business practice" involving ten (10) separate VA code sections. We respectfully disagree with many of these alleged violations and request them to be withdrawn from the exam. In doing so, the Report must be revised to remove the alleged "general business practice" indication from the following Claims Review sections:

§38.2-510(A) (1) – Page 17

The Report cites twenty-three (23) violations for failing to deny a claim or part of a claim in writing and/or failing to keep a copy of the written denial in the claim file.

We disagree with eighteen (18) of these exam findings, all of which involve the company sending an insured a reservation of rights letter early on in its coverage investigation. It is undisputed the company's reservation of rights letter does not misrepresent any pertinent facts or policy provisions. This letter simply explains the company is continuing to investigate coverage for this loss. Further, there is no dispute the company is misrepresenting pertinent facts or policy provisions relating to coverage in any of its communications with the insured, before, during or after a reservation of rights letter is sent. Accordingly, these 18 violations listed on page 1 and 2 of the Report's "Violations Summary" must be withdrawn.

Violation of §38.2-510(A) (3) – Page 18

The Report cites seven (7) violations for failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

We disagree with four (4) of these exam findings, specifically CPA030, CPA034, CPA046 and CPA068, and request each of them to be withdrawn from the Report. Our position on each violation is as follows:

- CPA030 – Company investigated liability on a claim. The examiners cited company with a violation for omitting a step in their liability investigation. Company provided examiners with evidence this investigatory step was taken, but the examiners refused to withdraw this criticism. Accordingly, this violation must be withdrawn.
- CPA034 – Company received first notice of loss over 30 days after the date of loss, and appropriately sent the insured a reservation of rights letter, due to late reporting. The examiners cited company with a violation for lacking “investigative support for a ‘late reporting ROR’.” Company advised examiners of this first notice of loss which exceeded 30 days past date of loss, but examiners refused to withdraw this criticism. Accordingly, this violation must be withdrawn.
- CPA046 – Company paid a first party claim, but made a business decision not to pursue subrogation. The examiners cited company for violating this statute because the company did not pursue subrogation recovery. The company’s decision not to pursue subrogation recovery clearly does not violate this statute. Accordingly, this violation must be withdrawn.
- CPA068 – Company investigated liability on a claim. The examiners cited the company for violating this statute because they did not believe company obtained a copy of the police report nor contacted the insured’s daughter. The company provided examiners with evidence it did obtain the police report and made many attempts to contact the insured’s daughter. Nevertheless, the examiners received this documentation but refused to withdraw this criticism. Accordingly, this violation must be withdrawn.

Violation of §38.2-510(A) (6) – Page 18

The Report cites nine (9) violations for failing to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

We disagree with four (4) of these exam findings, specifically CPA0035, CPA038, CPA075 and CPA047, and request each of them to be withdrawn from the Report. Our position on each violation is as follows:

- CPA035 – Company paid claim within seven (7) days of confirming coverage for the loss. The date of loss was confirmed by receipt of copy of police report on 9/9/2013 and total loss was paid on 9/16/2013. The examiners cited company because it “refused to cover the loss until they had a police report. This police report was necessary to confirm and document the date of loss and confirm coverage for said loss. Accordingly, this violation must be withdrawn.

- CPA038 – Company investigated fire loss claim and required an affidavit of fire damage from claimant. The claimant took two (2) weeks to sign and return this affidavit. Date of loss was 8/20/2013 and fire affidavit received on 9/6/2013. Company confirmed coverage on 9/6/2013. The examiners criticized company for failing to confirm coverage until 10/21/2013. This criticism is simply incorrect. Accordingly, this violation must be withdrawn.
- CPA075 – Company paid a claim provided examiners proof of payment. The examiners cited company for failing to pay the claim. Accordingly, this violation must be withdrawn.
- CPA047 – Company timely paid a claim once total loss paperwork was returned (14 day delay in returning paperwork). The examiners criticize this delay and misrepresent facts by alleging this delay was within company’s control. Accordingly, this violation must be withdrawn.

Violation of §52-40 – Page 18

The Report cites twelve (12) violations for failing to include Virginia’s fraud warning statement on a “Release of claims” document.

We disagree with all twelve (12) of these exam findings, which involve the company sending a Release to be signed by the first or third party claimant. It is axiomatic a Release is evidence of a settlement agreement and is not a condition precedent to claim payment. Nevertheless, the examiners cite the company for these violations by mischaracterizing SAIC’s Release document as a “claim form” which is required to be completed before a claim payment will be made. This is simply incorrect. Accordingly, these twelve (12) violations must be withdrawn.

Claim Underpayments -- Page 20

We reviewed the Bureau’s list of claim underpayments and respectfully disagree with the amount stated in the Report. We believe the actual amount of underpayments total approximately \$3,119.49. See our revisions to the Bureau’s list of claim underpayments.

Policy Issuance Process

As in the Rating and Underwriting review, we are combining the discussion of new and renewal policies, with specific reference to any issues specific to one area or the other. We also note a general objection and disagreement with duplicative inclusion of alleged violations under the guise of a “Policy Issuance Process” not recognized by the Virginia Code. This is yet another attempt at bootstrapping of violations without an independent basis for such violations, contrary to fundamental notions of due process.

§38.2-305 (A) -- Page 21-22 (New Business), Page 22 (Renewal Business)

We respectfully disagree with the assertion that our inclusion of forms representing all available coverages in our Policy Book and/or referencing such forms on the Declarations Page constitutes a

violation of law, and specifically a violation of the cited provision. The company utilizes a “policy book” concept across all of our states of operation, and these policy books incorporate all available coverages, except in the relatively rare cases where a new product has been developed, and is added by way of amendatory endorsement pending revision of the policy book. The Declarations Page clearly provides that the policy incorporates only those coverages for which a limit/premium is indicated. This methodology has never been criticized by any state in which we transact business, recognizing that we fully and accurately disclose all applicable coverages, and that this methodology enables us to deliver the policy to the consumer in a more cost effective fashion.

The Department’s reliance on §38.2-305(A) as a basis for the alleged violation is misplaced. The relevant portion of that section requires us to “specify . . . 6. The conditions pertaining to the insurance. “There can be no question that all of the conditions applicable to the policy are clearly and fully delineated in the policy. The Department’s stated rationale for this finding was specified in the underlying criticisms as follows:

The company failed to specify in the insurance contract or policy all of the conditions pertaining to the insurance by listing and/or attaching forms on the Declarations page that were not applicable to the policy.

This reasoning is both circuitous and inapplicable. The inclusion of the full spectrum of available coverages, accompanied by a Declarations Page that clearly indicates which coverages are applicable to the policy, and at what limits, simply does not represent a “failure to specify in the policy all conditions.” The statute does not prohibit the process we utilize for policy delivery, and the Department is unable to point to a single condition applicable to a policy that is not fully described. This practice simply is not a violation of the cited section, or of any other provision of Virginia law.

§38.2-310 – Page 22 (New Business)

We respectfully disagree with this finding. In this instance, the examiner miscalculated the fees applicable to the policy, and we provided full guidance, showing that the fees were *less* than the fees reflected on the Declarations Page, due simply to waiving the unearned portion of the application fee upon cancellation.

§38.2-502 -- Page 22 (New & Renewal Business)

We acknowledge that a programming error in our systems caused the application fee and number of disablements to be inaccurately stated on the Declarations page. This programming error has since been corrected. While this may represent a violation of §38.2-504(A) (6), this clearly inadvertent error does not implicate the type of culpable conduct contemplated for misrepresentation under §38.2-502.

§38.2-2234 (A) – Page 22 (New Business)

We acknowledge this error in four instances. The notice was sent in the fifth instance.

§38.2-1906(D) – Page 22 (Renewal Business)

We respectfully disagree with this finding, as we did not order the credit report for the renewal policy, and have previously provided the Department with evidence supporting that position.

Statutory Notices

General Statutory Notices -- §38.2-502 – Page 23

We disagree with this finding, as we previously explained that credit information is not used in underwriting, but is used in rating. Thus, the subject disclosure is accurate.

Statutory Vehicle Notices -- §38.2- 2202(A) & (B) – Page 23

We previously agreed with the absence of bold face on the Medical Expense notice. Additionally, while we do not believe that our existing Uninsured Motorist Limits notice is in violation of the law, we have agreed to revise the form to more closely conform to the Department’s interpretation of the statute.

Statutory Vehicle Notices -- §38.2-2234(A) – Page 24

We respectfully disagree with this finding to the extent that it asserts that we have failed to provide all of the required information delineated by the statute. The statute requires only that the information be provided either “on the application or at the time of accepting the application.” All of the required information is provided via either the application itself or the accompanying disclosure. We previously agreed that we erroneously included a reference to a statutory deadline for submitting a written request for additional information, and have agreed to remove that reference.

Complaint Handling Process

§38.2-511 – Page 24

We acknowledge that the log provided did not include all of the fields contemplated by the statute. This has been remedied.

Corrective Action Plan

In the body of our responses above, we have raised significant substantive disagreements with many of the findings submitted in the draft report. We look forward to resolving those issues in the course of further discussions, thereby achieving a final scope for the report.

We have additionally noted those areas where we agree with the Department’s findings, and have also indicated the corrective actions that have been or will be undertaken for those items.

Pending resolution of the disputed areas, and without admitting that any violations have, in fact, occurred, other than to the extent already conceded in the foregoing discussion, we believe that the areas outlined in Section Two of the report are appropriate statements of general principles, which are already accounted for within our existing systems, policies and procedures. Any violations found to have occurred represented divergence from those policies, principles and procedures, and Safe Auto will take all necessary steps to improve training, resolve technical errors and barriers, and insure that any areas of perceived violations are remedied.

Once we have reached agreement upon the final content of the report, we assume that any related implementation documentation will provide an appropriate period of time for us to perform any necessary remedial measures, and will promptly implement all appropriate measures and provide the Department with timely reporting with respect to their completion.

Recommendations

We acknowledge and appreciate the recommendations made by the examiners in Section Three of the draft report, and assure the Department that such matters are the subject of active consideration as we move forward with our business plans in Virginia.

Acknowledgement

We acknowledge the Bureau examination team for their assistance in the course of the examination.

Sincerely,

Jeffrey Little

Digitally signed by Jeffrey Little
DN: cn=Jeffrey Little, o=Safe Auto Insurance
Company, ou=Office of the General Counsel,
email=Jeffrey.Little@safeto.com, c=US
Date: 2015.04.15 17:22:59 -0400

Jeffrey A. Little
Associate General Counsel

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/boi>

July 17, 2015

VIA UPS 2nd DAY DELIVERY

Mr. Jeffrey Little
Associate General Counsel
Safe Auto Insurance Company
4 Easton Oval
Columbus, Ohio 43219

Re: Market Conduct Examination
Safe Auto Insurance Company (NAIC# 25405)
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Little:

The Bureau of Insurance (Bureau) has reviewed Safe Auto Insurance Company's (Company) April 15, 2015 response to the Preliminary Market Conduct Report (Report). The Bureau has referenced 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.

The Company has not provided a response to the Report in the format requested in the cover letter from the Bureau. Further, the Company did not provide any supporting documentation with its rebuttal to the Report.

In the cases where the examiners requested additional documentation, the examiners were unable to locate the necessary documentation in the files. The examiners are unable to reconsider the violations without the documentation that supports the Company's rebuttals. If the Company believes certain violations could easily be withdrawn due to documentation, then the Company should provide the documentation with its response to the Revised Report. Since the Company's response will become a part of the published Report the Company should provide any supporting documentation as Exhibits to protect the consumer information.

PART ONE – EXAMINERS’ OBSERVATIONS

New Business Rating and Underwriting Review

- (1a) The Bureau acknowledges that the Company agrees with these findings. The Company should provide a copy of its revised multiple vehicle declarations page for review.
- (1b) These violations remain in the Report. The Bureau has no objection to the Company using the “policy book” to provide forms to the insured. The violation was due to the Company itemizing forms on the declarations page that did not apply to the policy. Section 38.2-305 A 6 of the Code of Virginia states, *“In addition, each policy of property and casualty insurance shall contain a list of all policy forms and endorsements **applicable** to that policy...”* For example; if the insured did not purchase Transportation Expenses coverage, form PP 13 52 should not have been listed under the **“Forms made a part of this policy”** section of the declarations page. Not all of the forms listed on the declarations page were applicable to the policy.
- (2) These violations remain in the Report. The Bureau recognizes the Company’s acknowledgment of the error on these policies. In the cited instances, the Company misrepresented the benefits, advantages, conditions or terms of the insurance policy due to the Company’s programming errors. The Bureau did not allege that the Company intentionally created the errors or that the errors were made in bad faith. The violations were cited because the errors occurred. The Company should note that the Code of Virginia does not include § 38.2-504 (A) 6 as referenced by the Company in its response. Further, in one instance, the declarations page indicated the insured had an alcohol related motor vehicle conviction, but the insured’s Virginia motor vehicle report (MVR) provided by the Company did not include an alcohol related conviction.
- The Company should provide a copy of its revised declarations page showing the correct application fee and Towing and Labor limits.
- (3) The violation for RPA026 remains in the Report. The Company has not given any reason for the Bureau to reconsider the initial findings. For reconsideration, the Company should provide documentation that clearly indicates which vehicle each driver customarily operated at the time the policy was issued.
- (4b) The violation for RPA011 remains in the Report. The examiner did not receive a copy of the recorded phone call indicated in the Company’s response to the review sheet. Further, the Company is only permitted to surcharge the policy for convictions, regardless of whether the insured disclosed a violation. In Virginia a violation is not subject to a surcharge until a conviction is determined by the appropriate Courts.
- The violation for RPA012 remains in the Report. The Company acknowledged in its response to the review sheet that it incorrectly surcharged the policy for a not-at-fault accident.

The violation for RPA013 remains in the Report. The Company failed to surcharge the policy for the October 26, 2010 reckless driving (speeding) conviction.

The violation for RPA019 remains in the Report. The Company acknowledged in its response to the review sheet that it incorrectly surcharged the policy twice for the same August 23, 2013 conviction.

The violation for RPA020 remains in the Report. The Company failed to surcharge the policy for the February 3, 2011 speeding conviction.

The violation for RPA032 remains in the Report. The Company surcharged the policy for a speeding conviction that was not indicated on the MVR or the insured's application provided by the Company during the examination.

The violation for RPA038 remains in the Report. The Company's response to the review sheet states that the surcharge was incorrectly applied to driver 3 but should have been applied to driver two. The Company failed to provide the supporting documentation to substantiate the surcharge points being applied to either driver. For reconsideration, please provide the documentation acquired by the Company to indicate the points should be applied to driver 2.

(4c) This item remains in the Report. Virginia is a file and use state. All rates and supplementary rating information must be filed with the Bureau prior to use.

The violation for RPA001 remains in the Report. The Company failed to provide evidence that the 1989 GMC Sierra K2500 had a vehicle symbol of 11 for Liability and Medical Expense coverages. The Company must provide the "Vehicle Cost New" from its system or the symbol pages filed by ISO on the Company's behalf as documentation of the vehicle symbol applicable to the policy period under review.

The violations for RPA004, RPA007, RPA013, RPA015, RPA019, RPA020, RPA028, RPA032, and RPA040 remain in the Report. Prior to 2008, the ISO symbol pages used by the Company showed one physical damage symbol. The Company used this one ISO physical damage symbol to determine the factors for Collision, Other Than Collision (OTC), Liability, Uninsured Motorist (UM) and Medical Expense coverages. In 2008, the ISO symbol pages provided physical damage symbols for Collision and OTC coverages separately. However, the Company did not revise its manual to indicate the physical damage coverage symbol that corresponded to the Liability, UM and Medical Expense coverages.

The Company should correct this issue by 1) revising its ISO Filing Authorization Exception to indicate only physical damage symbols are filed on the Company's behalf and 2) filing a rule revision to indicate the physical damage symbol that is used to determine the appropriate symbol factor for Liability, UM and Medical Expense coverages.

After further review, the violation for RPA023 has been withdrawn from the Report.

The violation for RPA025 remains in the Report. The Company failed to provide evidence that the 1985 Ford F150 had a vehicle symbol of 8 for Liability and Medical Expense coverages. The Company must provide the "Vehicle Cost New" from its system or the symbol pages filed by ISO on the

Company's behalf as documentation of the vehicle symbol applicable to the policy period under review.

Renewal Business Rating and Underwriting Review

- (1a) The Bureau acknowledges that the Company agrees with these findings.
- (1b) These violations remain in the Report. The Bureau has no objection to the Company using the "policy book" to provide forms to the insured. The violation was due to the Company itemizing forms on the declarations page that did not apply to the policy. Section 38.2-305 A 6 of the Code of Virginia states, "In addition, each policy of property and casualty insurance shall contain a list of all policy forms and endorsements **applicable** to that policy..." For example; if the insured did not purchase Transportation Expenses coverage, form PP 13 52 should not have been listed under the "**Forms made a part of this policy**" section of the declarations page. Not all of the forms listed on the declarations page were applicable to the policy.
- (2) These violations remain in the Report. The Bureau recognizes the Company's acknowledgment of the error on these policies. In the cited instances, the Company misrepresented the benefits, advantages, conditions or terms of the insurance policy due to the Company's programming errors. The Bureau did not allege that the Company intentionally created the errors or that the errors were made in bad faith. The violations were cited because the errors occurred. The Company should note that the Code of Virginia does not include § 38.2-504 (A) 6 as referenced by the Company in its response.
- (3) The violation for RPA063 remains in the Report. The examiners are only requesting Page 2 of 2 of the declarations page. The Company attempted to correct this error, but only provided Page 1 of 2. The Company has not given the Bureau anything additional to reconsider the initial findings. Although the Company provided the examiners access to its systems while on-site, the examiners had multiple difficulties retrieving complete files throughout the examination due to system complications. Due to the system limitations, the examiners made a request that the Company provide the necessary documentation for review in response to the violations cited. For reconsideration, the Company should provide Page 2 of the declarations as requested by the examiners.
- (4b) The violation for RPA059 remains in the Report. The Company surcharged the policy for an at-fault accident when the accident was not indicated as at-fault by the insured or the CLUE Report. Although the MVR indicated the insured was involved in an accident, the MVR did not reflect a corresponding conviction for the accident. Therefore, the policy file did not include evidence that the insured was wholly or partially at fault for the June 06, 2013 accident.
- (4c) This item remains in the Report. Virginia is a file and use state. All rates and supplementary rating information must be filed with the Bureau prior to use.
- The violation for RPA041 remains in the Report. The Company failed to provide evidence that the 1984 Dodge W-250 had a vehicle symbol of 8 for Liability and Medical Expense coverages. The Company must provide the "Vehicle Cost New" from its system or the symbol pages filed by ISO on the

Company's behalf as documentation of the vehicle symbol applicable to the policy period under review.

The violations for RPA044, RPA048, RPA045, RPA053 and RPA060 remain in the Report. Prior to 2008, the ISO symbol pages used by the Company showed one physical damage symbol. The Company used this one ISO physical damage symbol to determine the factors for Collision, Other Than Collision (OTC), Liability, Uninsured Motorist (UM) and Medical Expense coverages. In 2008, the ISO symbol pages provided physical damage symbols for Collision and OTC coverages separately. However, the Company did not revise its manual to indicate the physical damage coverage symbol that corresponded to the Liability, UM and Medical Expense coverages.

The Company should correct this issue by 1) revising its ISO Filing Authorization Exception to indicate only physical damage symbols are filed on the Company's behalf and 2) filing a rule revision to indicate the physical damage symbol that is used to determine the appropriate symbol factor for Liability, UM and Medical Expense coverages.

Termination Review

Notice Mailed Prior to the 60th Day of Coverage Review

- (1) The Bureau recognizes the Company's acknowledgment of these violations.
- (2) After further review, the violations for TPA005 and TPA008 have been withdrawn.

The violations for TPA014 and TPA017 remain in the Report. The Company has not provided any additional information to consider.

- (3) The violations for TPA012 and TPA017 remain in the Report. The policy file indicated the Company mailed the cancellation notices via USPS, although the proof of the mailing was maintained electronically. As such, UETA could not be applied since the cancellation notices were not sent to the insureds electronically. For reconsideration under UETA, the Company should provide evidence of the electronic transmittal of the cancellation notices. The proofs of mailing were not valid because the mailing lists were not provided.
- (4) These violations remain in the Report. The examiner did not find any evidence that the Company sent a cancellation notice to the loss payees. For reconsideration the Company should provide a copy of the cancellation notice and proof of delivering those notices to the loss payees.

Other Law Violations

This violation remains in the Report. The Company did not provide any new documentation to consider. For reconsideration, the Company should submit evidence that the SR-26 was filed with the DMV within 15 days of the cancellation effective date.

Notice Mailed After the 59th Day of Coverage Review

- (1) These violations remain in the Report. The proof of financial responsibility was not filed on the existing policy. Cancelling the existing policy after the 59th

day of coverage due to a request for a financial responsibility filing is contrary to the valid reasons for cancellations. Instead of rewriting the existing policy with the requested financial responsibility filing, the Company cancelled the existing policy and issued a new policy. Issuing a new policy restarts the underwriting review period and allows the Company to cancel for any reason in the first 59 days of coverage.

- (2) The Bureau acknowledges that the Company agrees with this error.
- (3) These violations remain in the Report. Insurers are required to file all rates, including rounding rules that affect the amount of premium charged. Although the Company agreed to pay the restitution, it has not provided evidence of payment. The Company should pay the restitution and complete the restitution spreadsheet provided.
- (4) The violations for TPA076 and TPA085 remain in the Report. The examiner did not find any evidence of the proofs of mailing for these cancellations. For reconsideration, the Company should provide the documentation requested by the examiners.
- (5) These violations remain in the Report. In all 11 instances, the insureds requested that the Company provide proof of financial responsibility by filing an SR-22 with DMV. Upon this request, the Company informed the insured that a filing could not be added to the existing policy and then the Company cancelled the policy. In some instances, the Company issued a new policy with the SR-22 filing. Encouraging the insured to request cancellation and reissuing with a new underwriting period unfairly subjects the insured to another period of valid cancellation in the first 59 days of coverage.
- (6) These violations remain in the Report. These cancellations were not at the insured's request but as a result of the Company's encouragement. The Company provided recorded conversations in which the Company's representatives initiated cancellation of the policy. Since the Company initiated the cancellation, the notices were mailed after the 59th day of coverage, and the Company was required to provide the insured 45 days advance notice of cancellation.

The Company was not cited for violations of § 46.2-482 in this area of the Report.

Nonpayment of Premium Review

- (1) The violation for TPA043 remains in the Report. The Company responded to this violation with Terry Gusler's signature dated August 1, 2014 on review sheet TermNPPPA1404240491. A copy is enclosed for the Company's review.
- (2) These violations remain in the Report. The premium overcharge and undercharge differences range from \$3.00 to \$10.00. The Company is inconsistent in its calculations of earned premium.
- (3) These violations remain in the Report. UETA allows electronic transmission of documents if all parties have agreed to conduct business electronically. These cancellation notices were not transmitted electronically and therefore,

UETA did not apply. What the Company provided as proof of mailing did not give any means of tracking the mailing at the Post Office.

- (4) These violations remain in the Report. The Company did not provide any additional information to consider.
- (5a) The violation for TPA040 remains in the Report. Per the policy notes the Company was aware of the insured's address change on October 4, 2013. Further, on October 11, 2013, the same day the cancellation notice was mailed, the policy notes indicated the insured's address was changed.
- (5b) The Bureau recognizes the Company's acknowledgment of the violation for TPA033.
- (6) The violation for TPA022 remains in the Report. The Company sent a cancellation notice to the lienholder on June 3, 2013 for a cancellation effective date of May 24, 2013.

The violation for TPA024 remains in the Report. The proof of mailing provided by the Company shows the cancellation notice was mailed on May 2, 2013 after the cancellation effective date of April 22, 2013.

The violation for TPA042 remains in the Report. The Company sent a cancellation notice to the lienholder on September 4, 2013 for a cancellation effective date of September 3, 2013.

The violation for TPA047 remains in the Report. The Company sent a cancellation notice to the lienholder on October 1, 2013 for a cancellation effective date of September 16, 2013.

The violation for TPA051 remains in the Report. The Company sent a cancellation notice to the lienholders on December 6, 2013 and December 9, 2013 for a cancellation effective date of November 21, 2013.

The policy provision provided by the Loss Payable clause requires the Company to provide the lienholder the same advance notice of cancellation that is given to the insured. The Personal Auto Policy requires the Company to provide the insured at least ten days advance notice of cancellation. Therefore, the Company is required to give the lienholder a minimum of ten days advance notice of the cancellation effective date. In all of the violations the Company informed the lienholder of the cancellation effective date after the policy terminated.

Other Law Violations

This violation remains in the Report. The Company did not provide any new documentation to consider. For reconsideration, the Company should submit evidence that the SR-26 was filed with the DMV within 15 days of the cancellation effective date.

Insured Requested Cancellation Review

- (1) These violations remain in the Report. The Company used the pro rata calculation method in all of these instances when it was filed to use the short rate calculation method for insured requested cancellations. Calculations of earned premium must be filed and the Company must adhere to its filed rates when calculating earned premium.

- (2) These violations remain in the Report. Terry Gusler from Safe Auto responded to all of these review sheets on either July 1, 2014 or July 11, 2014. Further, his response included a CD of the phone calls from the insureds requesting an SR-22 or FR-44 filing. In the recordings, the Company advised the insureds that a financial responsibility filing could not be added to an existing policy.

Claims Review

- (7) The Report cited 11 violations of 14 VAC 5-400-70 A for written denial of a claim on Page 16. These violations were not cited under § 38.2-510 A 1. These violations remain in the Report unless the Company provides an appropriate rebuttal to these violations in its revised response.
- (9c) The violation for CPA075 remains in the Report. The Company referenced this violation for failure to issue payment as a violation of § 38.2-510 A 6 under item (16) below. However, this violation is under 14 VAC 5-400-70 D. Although the Company's response stated proof of payment was provided to the Bureau, the examiners did not receive a copy of the proof of payment with the Company's response to the review sheet or the Report. For reconsideration, the Company should provide proof of payment for the examiners' review.
- (13a) These violations remain in the Report. The Report did not cite § 38.2-510 A 1 for violations regarding written denials. The Report cited 23 violations under § 38.2-510 A 1 for misrepresenting pertinent facts or insurance policy provisions, of which 18 are for issuing written communications that misrepresented pertinent facts of the claim. The Company's Reservation of Rights letters were sent as part of the initial contact letter before the Company began an investigation. The Company incorrectly stated there were coverage issues to determine liability or that the loss may exceed the policy limits. The Company should only use a Reservation of Rights letter when a coverage issue is actually under investigation.
- (15) After further review, these violations have been withdrawn from the Report.
- (16) The violation for CPA035 remains in the Report. The Bureau is not stating the Company cannot complete its investigation by obtaining a police report. However, since this insured had physical damage coverage, the only question regarding this claim should have been whether to subrogate the claim and recover the insured's deductible. Once the Company obtained the police report on September 9, 2013, the Company should have sent payment to the insured. The insured reported the loss on August 21, 2013, but the Company did issue payment for the claim until September 16, 2013.
- The violation for CPA038 remains in the Report. The Company did not make a prompt, fair and equitable settlement of the claim. It is not clear what reasonable issues would have required the Company to delay issuing payment until October 31, 2013 when coverage was confirmed on September 6, 2013.
- The violations for CPA047 remain in the Report. This violation was not cited for the days after the Company sent the total loss paperwork to the insured. This violation is for the time between when the loss was reported and when

the Company sent the total loss paperwork. The insured reported the claim on September 3, 2013, but the Company did not send the total loss paperwork until October 3, 2013. In addition, the Company received a subrogation demand from a claimant on March 12, 2014, but did not issue the payment until July 7, 2014.

The violation for CPA075 remains in the Report. This violation is for prompt, fair and equitable payment. The Company received notice of loss on February 6, 2014. The Company required documentation to prove the time of the loss. Instead of accepting a copy of the insured's citation showing the time, the Company waited to receive a copy of the police report received on March 10, 2014. On March 25, 2014 the Company decided there was coverage, but did not send the total loss paperwork until April 3, 2014. The violation for failure to pay the claim is addressed under Item (9c) of the Report.

Other Law Violations

- (2) These violations remain in the Report. The Release was a form used by the Company solely for claims and it was provided to insureds and claimants to complete. Based upon the review of the Company's claim files, the Company did not settle claims and issue payment without first requiring the claimant to sign a release as a business practice. As such, the Company required the insured or claimant to sign the release as a condition of payment. Additionally, these violations were also cited for the MMSEA Questionnaire, Power of Attorney and Odometer Statement forms used by the Company. Further, the Company was aware of the requirements as the examiners reviewed claims where the forms included the required fraud statement.

Policy Issuance New Business Review

The Code of Virginia permits the Bureau to review the Company's past and current practices for compliance under § 38.2-1317. Under Chapter 13 of the Code of Virginia, the Bureau has the authority to set the scope of the examination in the interest of protecting consumers. The Company should refer to the Data Call Manual in which the Policy Issuance Review was explained in detail, as well as the follow-up conference call on April 16, 2014. The Bureau advised the Company that this review was of current practices to be certain forms and notices were being listed and attached as required by the statute.

- (1) These violations remain in the Report. The Bureau has no objection to the Company using the "policy book" to provide forms to the insured. The violation was due to the Company itemizing forms on the declarations page that did not apply to the policy. Section § 38.2-305 A 6 states, "In addition, each policy of property and casualty insurance shall contain a list of all policy forms and endorsements **applicable** to that policy..." For example; if the insured did not purchase Transportation Expenses coverage, then form PP 13 52 should not have been listed under the "Forms made a part of this policy" section of the declarations page. Not all of the forms listed on the declarations page were applicable to the policy.
- (2) The violation for MPA002 remains in the Report. It is not clear why a new business declarations page would reflect an unearned application fee.

- (3) The Company has acknowledged there was an error. The Company should provide a copy of the revised declarations page showing the correct application fee and coverage limits. Further, there is no § 38.2-504 (A) 6 in the Code of Virginia as referenced by the Company in its response.
- (4) The Company has acknowledged the error in four instances. The Bureau is unable to reconsider the fifth instance without the Company providing a specific explanation as to which review item or providing supporting documentation. The Company should explain how it has corrected this error.

Policy Issuance Renewal Business Review

- (1) These violations remain in the Report. The Bureau has no objection to the Company using the “policy book” to provide forms to the insured. The violation was due to the Company itemizing forms on the declarations page that did not apply to the policy. Section § 38.2-305 A 6 states, “In addition, each policy of property and casualty insurance shall contain a list of all policy forms and endorsements **applicable** to that policy...” For example; if the insured did not purchase Transportation Expenses coverage, then form PP 13 52 should not have been listed under the “Forms made a part of this policy” section of the declarations page. All of the forms listed on the declarations page were not applicable to the policy.
- (2) The Company has acknowledged there was an error. The Company should provide a copy of the revised declarations page showing the correct application fee and coverage limits. Further, there is no § 38.2-504 (A) 6 in the Code of Virginia as referenced by the Company in its response.
- (3) The violation for MPA009 remains in the Report. This violation was cited because the Company sent the insured a Credit Adverse Action notice stating his credit information was obtained due to the rating and/or underwriting process. The Company’s filed rules state the Company will only obtain the insured’s credit information every 36 months, unless requested earlier by the insured. The policy was less than 36 months old and the policy file did not indicate the insured requested his credit information to be updated. The examiner did not find any record of receiving a response from the Company for this violation. For reconsideration, the Company should provide an explanation and the necessary documentation for the examiners’ review.

General Statutory Notices Review

This violation remains in the Report. Section 38.2-2234 of the Code of Virginia states “*Any insurer issuing or delivering a policy of motor vehicle insurance in this Commonwealth as defined in § 38.2-2212, that uses credit information contained in a consumer report for underwriting, tier placement or **rating** an applicant or insured shall meet the following requirements:*” The statute does not limit the requirements to just underwriting. The statement in the notice is misleading to insureds. Further, the notice sent to the insured on file MPA009 in the Policy Issuance Section of the Report shows that the Company is using credit for rating and/or underwriting.

Statutory Vehicle Notices Review

- (1 and 2) The Bureau acknowledges the Company has agreed to these violations. The Company should provide the revised notices for review.
- (3a) This violation remains in the Report. The application was the only Credit Score Disclosure notice the Company provided for the examination period. The Company's notice did not include the items outlined in sections (ii) and (iii) of the statute.
- (3b) The Bureau acknowledges the Company has agreed to this violation. The Company should provide the corrected Credit Adverse Action notice for review.

Complaint Handling Process Review

The Company should provide a copy of its revised complaint log format for review.

PART TWO CORRECTIVE ACTION PLAN

For any revised documents or processes changed, the Company should provide documentation, explain the change, and/or indicate the effective or estimated completion date for the items stated in the Corrective Action Plan (CAP). As outlined in the Bureau's January 26, 2015 letter, the Company should provide a complete CAP.

The Company should make restitution to all of the insureds and/or claimants as indicated in the restitution spreadsheet enclosed with this letter.

Terminations Review

- (1) The \$126.76 overcharge for TPA076 remains in the Report. The Company did not provide documentation with its response that the actual overcharge amount was \$47.70, including interest.

Claims Review

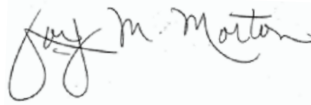
- (1) The \$309.58 underpayment for CPA003 remains in the Report. The Company did not provide documentation with its response that the actual cost value of the vehicle was \$8,440 instead of \$8,655.
The \$500 underpayment for CPA008 remains in the Report. The Company did not provide documentation with its response that the actual amount due was \$340 and that the payment was made prior to the examination.
The \$600 underpayment for CPA038 remains in the Report. The Company did not provide a copy of the claimant's correspondence with the Company that a rental vehicle was not obtained.
The underpayment for CPA057 has been revised to \$43.42 in the Report. The Company did not provide documentation with its response that the payment was made prior to the examination.

The \$999 underpayment for CPA072 remains in the Report. The Company did not provide documentation or an explanation with its response of the actual amount due or that all expenses were reimbursed prior to the examination.

The \$5,381.76 underpayment for CPA075 remains in the Report. The Company did not provide documentation with its response that the payment was made prior to the examination and included the six percent interest requested by the Bureau in the Report.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and the Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by August 7, 2015.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style and is positioned above the typed name and title.

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

Enclosures



Safe Auto Insurance Company

4 Easton Oval
Columbus, OH 43219-6010
Tel.: (614) 231-0200
www.safeauto.com

Executive Offices

September 23, 2015

Ms. Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
VIRGINIA BUREAU OF INSURANCE
P.O. BOX 1157
Richmond, Virginia 23218

**Re: *Safe Auto Insurance Company Market Conduct Examination (No.: VA097-M13)
Exam Period (April 1, 2013 – March 31, 2014)***

Dear Ms. Morton:

Safe Auto Insurance Company acknowledges receipt of the Department's correspondence of July 17, 2015. We appreciate the courtesy extended by the Department in allowing us additional time to review the points raised in that correspondence. We take this opportunity to reply to the points raised in that communication, and will follow the formatting and headings utilized in that letter. We note that our previous response did sequentially address the points raised in the report, but simply included more specific description of the points covered, and avoided needless repetition of identical text.

We would again note that in the course of the examination we provided the Department with thousands of pages of documentation in electronic format, and thousands more in hard copy. This included complete underwriting and claims files for all of the policies and claims examined. We continue to adhere to the position that the Department has in its possession all materials necessary to support the Company's position. For convenience, we are providing, under separate cover, additional documentation where relevant. Please note that many of the areas of disagreement involve a dispute over the legal interpretation of specific statutes or regulations, and are not document dependent.

For the sake of brevity and clarity, we will substantively address only those areas where there exists remaining dispute or disagreement. Supporting documentation is provided under separate cover.

New Business Rating and Underwriting Review

1(a) An example of the revised declarations page, correctly reflecting these items, is included in the documentation provided.

1(b) We continue to disagree with this finding. The Declarations Page in use in Virginia is not materially different from those used in every other jurisdiction within our footprint. Our policy books in those jurisdictions similarly include all coverages the company offers, and the forms are referenced on the Declarations Page. Per the express language of the declarations page, only coverages for which a premium is indicated are included in the policy. Thus, our practice fully complies with the cited statute, as it does list all forms applicable to the policy. The fact that it lists *additional* forms is not proscribed by the statute, as that enactment does not state that we can list *only* forms applicable to the policy. The Department's interpretation is not in line with other jurisdictions, and would ultimately increase our cost of providing coverage.

(2) We have acknowledged the inadvertent programming error that caused the allowed number of disablements under the Towing & Labor Coverage and the Application Fee to be inaccurately portrayed under certain circumstances. The documentation being produced demonstrates that this issue has been rectified. We dispute that this inadvertent error represents a violation of Virginia Code §38.2-502. The Declarations Page is not an estimate, illustration, circular, sales presentation or comparison within the meaning of the statute, and is not used to induce any action on the part of the insured. The declarations page is issued only after the policy is in force. This is not any form of advertising of the insurance policy, and we respectfully submit that the Department's attempt to extend the scope of the statute to the Declarations page is unwarranted by the very terms of that provision.

(3) While we concede that the driver assignment in this instance was not adequately documented, we disagree that the record establishes a violation of Virginia Code §38.2-1905(C). As noted in the company's original response, the telephone recording for this particular policy was unavailable, resulting in our inability to document the assignment. However, the Department retains the burden of proof with respect to violations, and no facts have been raised in the report or otherwise that would suggest or support a finding that the assignment was, in fact, improper. The challenged assignment was made in full compliance with the rules filed with the Department, and could not legally have been done in any other manner.

(4)(a) While these violations are specified in the Report, the Department did not address our objections in its correspondence of July 17, 2015. We strongly object to each of these alleged violations, insofar as they our passed upon our utilization of a commercial VIN decoding mechanism, provided by one of several industry-recognized vendors of such services. The use of such systems is ubiquitous within the automobile insurance industry, as they provide a simple and automatic way of "decoding" the information pertaining to vehicle characteristics that is embedded in the Vehicle Identification Number. The nature of the information embedded in the VIN, the format of that information, and even the structure of the VIN itself is subject to change over time, and insurers utilize such VIN service to provide an accurate, prompt and economical way to derive vehicle characteristics. Those vehicle characteristics, in turn, drive the rating and underwriting process.

The VIN decoding process does **not** involve the modification of rates or factors. Its role is limited solely to the derivation of vehicle characteristics from the VIN. Those characteristics are, in turn, evaluated within the confines of our filed rates and rules to determine the final premium. While the examiners took the position that such a service must be filed and approved with the Department, such a result is neither required under Virginia law nor in any way feasible to achieve. It is analytically no different from utilizing Webster's Dictionary to determine the proper meaning and usage of a term used in a rate filing. This is frequently accomplished, yet we are not required to file Webster's Dictionary. This process in no way implicates the provisions of §38.2-1906(D), and these violations must be withdrawn.

4(b) We respectfully object to these findings, other than as previously conceded, as all of the challenged actions were undertaken in full compliance with the rates, rules and symbols filed with the Department.

Insofar as RPA011 is concerned, all of the supporting documentation, including the subject phone call and MVER, was produced in the course of the examination. We are again including that documentation in the materials provided under separate cover. More fundamentally, the Department cites no authority for the proposition that an insurer may not properly rely upon representations of the insured provided to the company as part of the application for insurance. Indeed, in its criticism of RPA032, the Department clearly suggests that inclusion in the MVR or the application are appropriate bases for the indicated action. That criticism is similarly unfounded, as the action taken was fully consistent with our filed rates and rules.

We additionally specifically disagree with the discussion of RPA038. The criticism was limited to the allocation of the responsibility, not the fact of the responsibility. We addressed that issue in our response, and it is inappropriate to change the characterization of the criticism in the report. We have committed to proceed in accordance with the rating impact resulting from proper attribution of the accident, and affirm that commitment.

4(c) We continue to respectfully disagree with this aspect of the report. Contrary to the Department's assertion, we did utilize symbols in a manner entirely consistent with our filed rules. Hence, there is no violation of the statute. On a going forward basis, this issue will be moot, as our forthcoming filing will include adoption of ISO's RAPA symbols.

Renewal Business Rating and Underwriting Review

1(a) An example of the revised declarations page, correctly reflecting these items, is included in the documentation provided.

1(b) We continue to disagree with this finding. The Declarations Page in use in Virginia is not materially different from those used in every other jurisdiction within our footprint. Our policy books in those jurisdictions similarly include all coverages the company offers, and the forms are referenced on the Declarations Page. Per the express language of the declarations page, only coverages for which a premium is indicated are included in the policy. Thus, our practice fully complies with the cited statute, as it does list all forms applicable to the policy. The fact that it lists *additional* forms is not proscribed by the statute, as that enactment does not state that we can list *only* forms applicable to the policy. The

Department's interpretation is not in line with other jurisdictions, and would ultimately increase our cost of providing coverage.

(2) We have acknowledged the inadvertent programming error that caused the allowed number of disablements under the Towing & Labor Coverage and the Application Fee to be inaccurately portrayed under certain circumstances. The documentation being produced demonstrates that this issue has been rectified. We dispute that this inadvertent error represents a violation of Virginia Code §38.2-502. The Declarations Page is not an estimate, illustration, circular, sales presentation or comparison within the meaning of the statute, and is not used to induce any action on the part of the insured. The declarations page is issued only after the policy is in force. This is not any form of advertising of the insurance policy, and we respectfully submit that the Department's attempt to extend the scope of the statute to the Declarations page is unwarranted by the very terms of that provision.

(3) We respectfully continue our disagreement with this finding. While we did initially provide an incorrect declarations page, the examiners were subsequently provided with a complete and accurate declarations page. Another copy of that complete declarations page is included in the materials provided under separate cover.

(4)(a) While these violations are specified in the Report, the Department did not address our objections in its correspondence of July 17, 2015. We strongly object to each of these alleged violations, insofar as they are based upon our utilization of a commercial VIN decoding mechanism, provided by one of several industry-recognized vendors of such services. The use of such systems is ubiquitous within the automobile insurance industry, as they provide a simple and automatic way of "decoding" the information pertaining to vehicle characteristics that is embedded in the Vehicle Identification Number. The nature of the information embedded in the VIN, the format of that information, and even the structure of the VIN itself is subject to change over time, and insurers utilize such VIN service to provide an accurate, prompt and economical way to derive vehicle characteristics. Those vehicle characteristics, in turn, drive the rating and underwriting process.

The VIN decoding process does *not* involve the modification of rates or factors. Its role is limited solely to the derivation of vehicle characteristics from the VIN. Those characteristics are, in turn, evaluated within the confines of our filed rates and rules to determine the final premium. While the examiners took the position that such a service must be filed and approved with the Department, such a result is neither required under Virginia law nor in any way feasible to achieve. It is analytically no different from utilizing Webster's Dictionary to determine the proper meaning and usage of a term used in a rate filing. This is frequently accomplished, yet we are not required to file Webster's Dictionary. This process in no way implicates the provisions of §38.2-1906(D), and these violations must be withdrawn.

4(b) We respectfully object to these findings, other than as previously conceded, as all of the challenged actions were undertaken in full compliance with the rates, rules and symbols filed with the Department. The surcharge for RPA059 was properly imposed, as the MVR shows that a point was charged for the accident. Note that the insured's age is 18, and thus the 36 month period of the MVR covers the entire

license history. The subject accident is the only accident or violation listed, and hence is the basis for the charged point.

4(c) We continue to respectfully disagree with this aspect of the report. Contrary to the Department's assertion, we did utilize symbols in a manner entirely consistent with our filed rules. Hence, there is no violation of the statute. On a going forward basis, this issue will be moot, as our forthcoming filing will include adoption of ISO's RAPA symbols.

Termination Review

Company Initiated Cancellations – Notice Mailed Prior to 60th Day of Coverage

(2) We respectfully disagree with the finding on TPA014, as the premium was calculated correctly, the methodology used was carefully explained in our criticism response, and the substantiating documentation was provided to the examiners. We are providing an additional copy of that documentation in the materials provided under separate cover. We similarly disagree with the finding as to TPA017. The fee imposed was for our costs incurred in dealing with an insufficient funds check, which is entirely independent from the status of the policy. This is a filed and approved fee, and we are entitled to be made whole for this expense.

(3) We respectfully disagree with these findings as to TPA012 and TPA017, as the Department misperceives the nature and impact of UETA. Note that Virginia Code §59.1-485 expressly provides that electronic versions of records are the equivalent of hard copies, and must be given legal effect. The proof of mail provided simply represents electronic versions of the certificate of mailing, utilizing a system both adopted and approved by the USPS. The validity of this electronic documentation is entirely independent of the manner of delivery. That documentation is again included in the materials provided under separate cover.

(4) We respectfully disagree with these findings. The Company provided notice to the lienholder electronically, via batch file, as sanctioned by the Virginia Code, and proof of those notices was provided. We retained the full digital file as evidence of the transaction, and provided the confirming certificate from our electronic vendor as a convenience. No violation of law has occurred here.

Other Law Violations

We disagree with this finding, as we made the required financial responsibility filings via automated electronic batch job, as authorized and mandated by law. We offered the Department the opportunity to review the electronic batch job files, which demonstrate compliance, but the Department did not respond to that offer. Under these circumstances, no violation may properly be found, as the required notices were, in fact provided.

Company Initiated Cancellations – Notice Mailed After 59th Day of Coverage

(1) The findings in this section are unwarranted. It cannot be reasonably disputed that all of the financial responsibility were promptly filed with the appropriate authority. We extensively reviewed the technical requirements of our policy management system with the examiners, and the reasons underlying our methodology for making financial responsibility filings in situations where the insured fails to notify us of the need for a financial responsibility filing. The fact remains that the filings were made promptly, and that the cited statute was not violated.

(3) While we have agreed to make the payments requested by the Department, we object to the characterization of rounding as a violation of the statute. Our rating algorithms have been filed and approved with the Department, and we are bound to those algorithms. No violation has occurred.

(4) We respectfully disagree with these findings. We provided full explanations of the processes involved in these cancellations, and the provisions of Virginia Code §38.2-2212(F) are applicable.

(5) We respectfully disagree with these findings. We provided full explanations of the processes involved in these cancellations, and the provisions of Virginia Code §38.2-2212(F) are applicable.

(6) We respectfully disagree with these findings. We provided full explanations of the processes involved in these cancellations, and the provisions of Virginia Code §38.2-2212(F) are applicable.

All Other Cancellations – Nonpayment of Premium

(1) The circumstances here do not represent a violation of the statute. The policy terminated via expiration of its own terms, as the insured did not accept the offer of renewal. Thus the policy did not involve a cancellation.

(2) We continue to disagree with this finding. All premiums were appropriately calculated, using the filed and approved rates and algorithms.

(3) We respectfully disagree with these findings, as the Department misperceives the nature and impact of UETA. Note that Virginia Code §59.1-485 expressly provides that electronic versions of records are the equivalent of hard copies, and must be given legal effect. The proof of mail provided simply represents electronic versions of the certificate of mailing, utilizing a system both adopted and approved by the USPS. The validity of this electronic documentation is entirely independent of the manner of delivery. The proofs provided are in full compliance with the statutes and UETA. The address and document information are encoded into electronic form, and can be seamlessly tracked to post office insertion, and frequently to delivery, well beyond the requirements of law.

(4) Proper proof of mailing was retained and provided to the examiners. We are again providing this documentation under separate cover.

(5) We continue our disagreement with this finding. Though the subject cancellation notice was mailed out on the 11th, it was generated at approximately 3:00 A.M. on that date, before the new address was

entered into the system. The cancellation notice was accordingly sent to the address currently in our records, which is what the law requires.

(6) We concede that the notices to the lienholder were not timely in these specific instances.

Other Law Violations

We disagree with this finding, as we made the required financial responsibility filings via automated electronic batch job, as authorized and mandated by law. We offered the Department the opportunity to review the electronic batch job files, which demonstrate compliance, but the Department did not respond to that offer. Under these circumstances, no violation may properly be found, as the required notices were, in fact provided.

Insured Request Cancellation

(1) We respectfully disagree and believe these amounts were calculated properly under our filed rates and rules. We previously acknowledged one undercharge, which stemmed from waiving a policy fee on a rewrite.

(2) We respectfully disagree with this finding. As discussed extensively elsewhere, these were all circumstances where the insured failed to advise the sales agent that a financial responsibility filing was required for the policy. Due to the limitations of our policy management system, this required issuance of a new policy, as a financial responsibility filing could not be added once a policy number was generated. These cancellations were accomplished at the insured's request to allow the issuance of a policy that included a financial responsibility filing.

CLAIMS REVIEW

(7) We accepted these criticisms during the course of the examination, and accordingly did not make specific reference to these in our early correspondence.

(9c) The examiners issued two distinct criticism sheets on the same issue, under 2112472283 and 1404305786. We are attaching details for the check issued on June 30, 2014, cleared by the bank.

(13a) We reiterate our objection to all 18 of the cited instances. A reservation of rights is just that -- a statement that the company is not waiving any rights under the policy pending the investigation of a potential coverage issue. It is not an affirmative representation of any fact, and hence cannot be a misrepresentation of any fact. We are attuned to a variety of circumstances that potentially give rise to coverage issues, and proactively investigate those possibilities. The failure to issue a reservation of rights has adverse legal consequences to the insurer, while the issuance of a reservation of rights, in and of itself, does not carry any adverse consequences for the insured. We follow this procedure throughout our footprint, and it has never been questioned. We strongly disagree with this finding.

(16) We continue our objections to each of the nine findings here. In CPA035, the police report was required to obtain independent verification of the date of loss, an essential element for coverage, even under Physical Damage coverage. The claim was paid within a week of that confirmation.

In CPA047, the claim was paid promptly after receipt of the total loss paperwork. That paperwork could not be sent until coverage was confirmed and an appropriate estimate was obtained. It was issued as soon as all of the pre-conditions for its issuance had been completed. The subrogation claim is one of two claims against the property damage limits of the policy, and the aggregate value of those claims exceeded the policy limits. Our ability to resolve the subrogation claims was dependent upon the actions of others in agreeing to a pro-rata distribution of available limits.

On CP038, while the coverage was confirmed on September 6, that was just the beginning of the adjustment process. As documented in the produced claim file, the insured designated his repair shop, and we received that information on September 13. Thereafter, the shop commenced the tear-down and evaluation of the loss. On October 3, the shop advised that the vehicle had to be moved to another shop for mechanical evaluation, and that a supplement would be required. We contacted the shop almost daily during this time frame. The amount of loss was ultimately determined on October 21, and payment was made that day.

On CP075, there were documented difficulties communicating with the insured once coverage was confirmed and the amount determined. After virtually daily attempts, the insured was contacted on April 3, and agreed to the amount, and also agreed to provide the necessary supporting documentation. That enabled us to send the total loss paperwork, which was sent that day. The file clearly documents the subsequent difficulties in obtaining the required paperwork from the insured.

Other Law Violations

(2) A release is a legal document, not a claims document. The rights and obligations of the parties are governed by its specific terms. We do not believe the statute is appropriately extended to include extraneous information on this legal instrument, which is used both within and outside the claims context.

Policy Issuance Process -- New Business

(1) We continue to disagree with this finding. The Declarations Page in use in Virginia is not materially different from those used in every other jurisdiction within our footprint. Our policy books in those jurisdictions similarly include all coverages the company offers, and the forms are referenced on the Declarations Page. Per the express language of the declarations page, only coverages for which a premium is indicated are included in the policy. Thus, our practice fully complies with the cited statute, as it does list all forms applicable to the policy. The fact that it lists *additional* forms is not proscribed by the statute, as that enactment does not state that we can list *only* forms applicable to the policy. The Department's interpretation is not in line with other jurisdictions, and would ultimately increase our

cost of providing coverage.

The Department's reliance on §38.2-205 as a basis for the alleged violation is inappropriate, as that section requires only that the conditions pertaining to the insurance be provided. As noted above, those conditions have been provided, and no statutory or regulatory provision prohibits the methodology utilized by the company in issuing its policies.

(2) We disagree with this finding. The accurate fees were set forth, as explained by the transaction history provided to the examiners.

(3) An example of the revised declarations page, correctly reflecting these items, is included in the documentation provided.

(4) The Adverse Action Notice on MPA001 is included in the materials provided under separate cover.

Policy Issuance – Renewal Business

(1) We continue to disagree with this finding. The Declarations Page in use in Virginia is not materially different from those used in every other jurisdiction within our footprint. Our policy books in those jurisdictions similarly include all coverages the company offers, and the forms are referenced on the Declarations Page. Per the express language of the declarations page, only coverages for which a premium is indicated are included in the policy. Thus, our practice fully complies with the cited statute, as it does list all forms applicable to the policy. The fact that it lists *additional* forms is not proscribed by the statute, as that enactment does not state that we can list *only* forms applicable to the policy. The Department's interpretation is not in line with other jurisdictions, and would ultimately increase our cost of providing coverage.

The Department's reliance on §38.2-205 as a basis for the alleged violation is inappropriate, as that section requires only that the conditions pertaining to the insurance be provided. As noted above, those conditions have been provided, and no statutory or regulatory provision prohibits the methodology utilized by the company in issuing its policies.

(2) A corrected copy of the Declarations Page is included in the materials provided under separate cover.

(3) As previously advised, no credit report was requested for this policy. We obviously cannot produce documentation establishing a negative.

General Statutory Notices

As previously indicated, the company utilizes the insurance score in rating only. The required disclosures are provided in the application and the adverse action notice.

(1) We will correct this form and provide proof of correction.

(2) While we continue to disagree that this represents a violation of the cited statute, we have agreed to modify this form, and will provide proof of correction.

(3) The application and adverse action notice incorporate all required disclosures. We have agreed to eliminate the 90 day language, and a revised version of the form will be produced as soon as a final scope is determined, and all potential changes are known. We have established an IT project for this purpose.

Complaint Handling Review

A copy of the revised register is being provided.

PART TWO: CORRECTIVE ACTION PLAN

As discussed in the body of our responses to the substantive areas of concern, many of the issues identified and conceded have been corrected. There remain significant areas of substantive disagreement, which we look forward to resolving with the Department through the processes outlined in the Examination Guide.

As we have noted previously, and without conceding that any violations of contested matters have occurred, we do believe that the substantive areas outlined by the Department are appropriate statements of principle, which are incorporated within our existing structures, processes and procedures. Any violations found to have occurred are the result of divergence from those structures, processes and procedures, and Safe Auto commits to undertaking all necessary steps to improve training, technical support and operational methodologies to insure that future violations do not occur.

While we cannot commit to a specific Corrective Action Plan until the report is finalized and the appropriate scope of remediation determined. However, it would be our hope that all required remediation measures could be completed within 180 days of the issuance of a final report/order. At this juncture, this is a goal, rather than a commitment, as any required changes to our information technology infrastructure would be subject to formal estimation efforts, due to potential cross-system impacts. We have already established an appropriate project for required form changes. We will provide the Department with interim reports every thirty (30) days, documenting the progress made to date, and including any available specific deliverables. We will commence making undisputed reimbursements in the immediate future.

SPECIFIC REMEDIATION ITEMS

Terminations Review

We are providing documentation showing the appropriate amount for TPA076

Claims Review

(1)

- A copy of the vehicle appraisal report for CPA003 is being provided, showing a vehicle value of \$8,440.
- On CPA 008, Safe Auto collected 68% of its subrogation demand, and paid 68% of the deductible to the insured. Proof of payment is being provided, together with related claim notes. Subrogation carrier refused payment of portion of storage.
- A copy of the relevant claim note for CPA038 noting that plaintiff rejected rental is attached.
- Copies of estimates and payments for CPA 057 are being provided.
- Proof of payment on CPA 075 is being provided.

RESTITUTION SPREADSHEET

We are providing an annotated version of the Department's Restitution Spreadsheet as part of this response.

We acknowledge the Department's assistance in the course of the examination.

Sincerely,



Jeffrey A. Little
Associate General Counsel

Andrea Baytop

From: Jeffrey Little <Jeffrey.Little@safeauto.com>
Sent: Thursday, September 24, 2015 4:59 PM
To: Joy Morton; Andrea Baytop
Cc: David Kostreva; Mary Bannister
Subject: RE: MCE Response

Joy –

Thank you for the note. As noted in this response, we intend to make the undisputed payments now that the amounts appear to be stable and the issues framed. Keep in mind that this is our first examination in Virginia, and in other jurisdictions, we customarily do not make payments until a final report or order has been agreed to. We anticipate that these payments will be completed in short order.

Insofar as the areas of disagreement are concerned, we do not view this as in any way obstructive or unusual. There are certain issues where we have legitimate, honest disagreements with the Department concerning the law and/or the manner in which the law is being applied to certain facts.. Our comments are designed to preserve those issues and present our side of the story. The process outlined in the Examination Manual will likely result in a narrowing of those issues. At this juncture, we do not know what additional sanctions – aside from restitution -- the Department will be seeking to impose in this matter. That will factor into our future course of action. Again, it is not unusual to have areas of substantive disagreement in the course of Market Conduct examinations. In our experience, these are usually resolved through the negotiation process that leads to the final report and consent order. While we always preserve our rights to more formal legal review, this is rarely required.

We will be happy to discuss these matters with you at greater length. Wednesday at 3:00 PM or Thursday at 2:00 PM appear to be the best times next week. Please let me know your preference, so that we can block out that time.

Thank you for your assistance.

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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From: Joy Morton [mailto:Joy.Morton@scc.virginia.gov]
Sent: Thursday, September 24, 2015 4:39 PM
To: Jeffrey Little; Andrea Baytop
Cc: David Kostreva; Mary Bannister
Subject: RE: MCE Response

Jeff:

We received your response this afternoon. After a cursory review of your response there are some concerns with the number of outstanding issues and the fact that you all have not yet issued one check to the insureds/claimants that you have agreed with the amount owed. I have spoken with the Deputy Commissioner this afternoon and she would like to schedule a conference call to discuss the outstanding issues in this report.

Please send us some dates and times that you are available for a call next week.

Thanks,
Joy Morton, MCM
Supervisor
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Thursday, September 24, 2015 1:05 PM
To: Joy Morton; Andrea Baytop
Cc: David Kostreva
Subject: MCE Response

Attached please find our response to the latest version of the draft report, together with the updated and annotated restitution spreadsheet.

The supporting documentation referenced in the body of the response is being forwarded on disc via overnight delivery.

Thank you for your assistance, and please let me know if you have questions. We look forward to bringing this matter to a mutually satisfactory conclusion.

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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Andrea Baytop

From: Jeffrey Little <Jeffrey.Little@safeauto.com>
Sent: Monday, October 05, 2015 8:26 AM
To: Joy Morton; Andrea Baytop
Cc: David Kostreva
Subject: Remediation Payments
Attachments: Claims Remediation Checks 10012015.pdf; Safe Auto Restitution -- Updated 10052015.xlsx; VA Complaint Log.xls

Joy/Andrea –

Attached please find the following:

- Copies of remediation checks issued for agreed Claims matters
- Updated copy of the remediation spreadsheet

In addition, we noted that the updated Complaint Log was inadvertently omitted from the supporting materials submitted with our report response. That is attached.

All of the claims checks were issued on October 1. The remaining check should issue within the next few days, as they involve a separate system and approval process.

Please let me know if you have any questions.

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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Andrea Baytop

From: Jeffrey Little <Jeffrey.Little@safeauto.com>
Sent: Tuesday, November 03, 2015 10:16 AM
To: Andrea Baytop; Joy Morton
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: Safe Auto Market Conduct Examination
Attachments: VA MCE SR-22 Filings.xls; SR-22 Filing Documents.pdf

Andrea/Joy –

As promised, attached please find a spreadsheet summarizing our findings on the issue of alleged delay in the filing of SR-22's, together with individual documents from the BMV website showing the filing history. In each instance, the SR – 22 was made effective immediately, and was transmitted to the BMV in the ordinary course of those transmittals, customarily received the next business day. We believe that this squarely addresses the issues surrounding any alleged delay in the filing of the SR-22's, even with the necessity of beginning a new policy.

Our IT department is working to determine the feasibility, scope and potential timing for the system changes we discussed in our last telephone conversation. We will provide you with that information as soon as we have it in our possession.

Thank you for your consideration. Please let me know if you have any further questions on this issue.

Jeff

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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Andrea Baytop

From: Joy Morton
Sent: Wednesday, November 04, 2015 3:18 PM
To: Jeffrey Little; Andrea Baytop
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

Thank you.

Joy Morton, MCM
Supervisor
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Wednesday, November 04, 2015 3:14 PM
To: Joy Morton; Andrea Baytop
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

Is the Department now asserting that we provided SR-22's to people who did not request them? If so, that is a new allegation not included in any criticism or the report itself, and in fact would run entirely contrary to the criticism with which we are dealing, which presuppose that an SR-22 was requested. If an SR-22 was not requested, we could obviously not be in violation for failing to provide it. There would also appear to be no possible motivation for providing unsolicited SR-22's.

Many of these calls could have originated with a CSR who found out what the purpose of the call was, and transferred to a licensed agent to actually perform the transaction. It would be difficult, and potentially, impossible to track those calls, as there would not necessarily be a separate note indicating the CSR contact, since the CSR would not necessarily have performed any transactions on the policy.

All relevant phone calls were produced to you in response to prior requests. However, we will review these calls with our Telecom people and determine if, in fact, any portions of the calls are missing. If any portions are missing, we will, of course, provide those to you.

Attached is the missing Declarations page you requested. Please let us know if you require any additional materials.

From: Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]
Sent: Wednesday, November 4, 2015 2:49 PM
To: Jeffrey Little; Andrea Baytop
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

The recordings do not include the insured requesting an SR 22.

Joy Morton, MCM
Supervisor
P & C Market Conduct Section

Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Wednesday, November 04, 2015 2:24 PM
To: Joy Morton; Andrea Baytop
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

We can look into this. However, keep in mind that this submission is dealing only with the SR-22 timeliness issue, not the insured request cancellation issue, which is the subject of separate criticisms. We will check with our IT people on these.

From: Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]
Sent: Wednesday, November 4, 2015 2:04 PM
To: Jeffrey Little; Andrea Baytop
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

Jeff:

It has just been brought to my attention that the phone calls provided for the policies on the spreadsheet are not the entire call. The recording starts in the middle of the conversation. Is this all that you have on these policies? Are you able to provide the entire conversation?

Joy Morton, MCM
Supervisor
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Wednesday, November 04, 2015 1:12 PM
To: Andrea Baytop; Joy Morton
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

We will get these to you shortly.

In the interim, I am enclosing a new version of the spreadsheet. We noticed a typographical error in the earlier version, involving SAIC Criticism Number 732. We inadvertently left a "1" out of the new policy number, which has been corrected to read VA11455. We apologize for the confusion.

From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Wednesday, November 4, 2015 12:21 PM
To: Jeffrey Little; Joy Morton
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: RE: Safe Auto Market Conduct Examination

Hello Jeff,

We are currently reviewing the information you sent yesterday. Could you please forward a copy of the declarations pages for the new policy numbers indicated on the spreadsheet you provided?

Thank you,

Andrea Baytop, MCM

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Tuesday, November 03, 2015 10:16 AM
To: Andrea Baytop; Joy Morton
Cc: Mark Le Master; Terry Gusler; Jackson Little; David Kostreva
Subject: Safe Auto Market Conduct Examination

Andrea/Joy –

As promised, attached please find a spreadsheet summarizing our findings on the issue of alleged delay in the filing of SR-22's, together with individual documents from the BMV website showing the filing history. In each instance, the SR – 22 was made effective immediately, and was transmitted to the BMV in the ordinary course of those transmittals, customarily received the next business day. We believe that this squarely addresses the issues surrounding any alleged delay in the filing of the SR-22's, even with the necessity of beginning a new policy.

Our IT department is working to determine the feasibility, scope and potential timing for the system changes we discussed in our last telephone conversation. We will provide you with that information as soon as we have it in our possession.

Thank you for your consideration. Please let me know if you have any further questions on this issue.

Jeff

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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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/boi>

November 9, 2015

VIA UPS 2nd DAY DELIVERY

Jeffrey Little
Associate General Counsel
Safe Auto Insurance Company
4 Easton Oval
Columbus, Ohio 43219

RE: Market Conduct Examination
Safe Auto Insurance Company (NAIC# 25405)
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Little:

The Bureau of Insurance (Bureau) has reviewed the September 23, 2015 letter and October 5, 2015 and November 3, 2015 e-mail responses to the Revised Market Conduct Report (Report) of Safe Auto Insurance Company (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 – THE EXAMINERS' OBSERVATIONS

New Business Rating and Underwriting Review

- (1b) These violations remain in the Report. During a conference call with Company representatives on October 13, 2015, the Company acknowledged that the non-applicable forms should not appear on the declarations page. The Company should provide an estimated completion date for this change.
- (2) These violations remain in the Report. Section 38.2-502 of the Code of Virginia also prohibits the Company from making statements that misrepresent the policy. The Company's declarations page made incorrect statements on the declarations page that misrepresented a maximum number of disablements for Towing and Labor and the Application Fee charged. The Company has acknowledged these errors and made the necessary corrections to the declarations page.

- (3) The violation for RPA026 remains in the Report. The examiners were unable to verify that the Company's driver assignment was correct. The Company should ensure all information necessary, to rate and underwrite policies, is documented properly.

The violation for RPA038 has been moved from Item (4b) of the Report.

- (4a) After further review, the violations for RPA001, RPA002, RPA003, RPA004, RPA007, RPA008, RPA009, RPA010, RPA015, RPA016, RPA017, RPA018, RPA020, RPA021, RPA022, RPA024, RPA026, RPA027, RPA028, RPA029, RPA031, RPA032, RPA033, RPA034, RPA035, RPA036, RPA037 and RPA040 have been withdrawn from the Report. These violations pertained to the application of the Anti-lock Brake, Passive Restraint and Daytime Running Lights discounts.

One violation for RPA003 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with an engine immobilizer and alarm system.

One violation for RPA007 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with an alarm system.

One violation for RPA009 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with a pass-key security system.

The violation for RPA013 remains in the Report, but the violation count has been reduced to one. For reconsideration, the Company should provide a copy of this vehicle's Polk information screen.

One violation for RPA015 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with an engine immobilizer.

Two violations for RPA017 have been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated one vehicle was equipped with an engine immobilizer and keyless entry and the second vehicle was equipped with keyless entry and an alarm system.

One violation for RPA035 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with a pass-key security system.

- (4b) The violation for RPA011 remains in the Report. The Company is only permitted to surcharge policies for convictions in accordance with its filed rules and § 38.2-1904 of the Code of Virginia. The Company surcharged the policy for two traffic violations, but the MVR provided by the Company only reflected one conviction. The second traffic violation was self-reported, but it had not resulted in a conviction.

The violation for RPA032 remains in the Report. The Bureau's prior response highlighted the fact that nothing in the policy file supported the surcharge

applied by the Company. The response was not intended to indicate the application could be solely relied upon to surcharge for traffic tickets.

After further review, the violation for RPA038 has been withdrawn and moved to item (3) of the Report to be cited more appropriately. The Report has been updated to reflect this change.

- (4c) The violation for RPA001 remains in the Report. The Company provided a copy of a Polk VIN Lookup and Rating Map from the Company's system with its response. However, a copy of the aforementioned items does not confirm that the Company used the correct ISO symbol filed on its behalf. The Company should refer to the filed ISO symbols and provide an explanation of how it determined the symbol used for the 1989 GMC Sierra K250.

After further review the violations for RPA004, RPA007, RPA015, RPA032, and RPA040 have been withdrawn from the Report.

The violations for RPA020 and RPA028 remain in the Report. The Company's manual did not specify which physical damage symbol was used to determine the BI, PD, ME or UM factors. The Bureau rated the vehicles using the lower of the OTC or Collision symbols and the premium has been amended to reflect this change.

The violation for RPA025 remains in the Report. The Company indicated in the restitution spreadsheet that the proper symbol was used; however the Company failed to provide the documentation previously requested by the Bureau. In the previous response the Bureau requested the "Vehicle Cost New" from the Company's system or the vehicle rating symbol from the ISO Database that identifies the symbol for the 1985 Ford F-150 rated on this policy.

Renewal Business Rating and Underwriting Review

- (1a) One violation for RPA046 has been added to the Report. The declarations page did not state the correct policy premium.

One violation for RPA063 has been added to the Report. The declarations page did not state the correct policy premium.

- (1b) These violations remain in the Report. During a conference call with Company representatives on October 13, 2015, the Company acknowledged that the non-applicable forms should not appear on the declarations page. The Company should provide an estimated completion date for this change.

One violation for RPA063 has been added to the Report.

- (2) These violations remain in the Report. Section 38.2-502 of the Code of Virginia also prohibits the Company making statements that misrepresent the policy. The Company's declarations page misrepresented a maximum number of disablements for Towing and Labor and the Application Fee charged. The Company has acknowledged these errors and made the necessary corrections.

After further review, the violations for RPA046 and RPA054 have been withdrawn from the Report. These violations were cited for an incorrect

premium appearing on the declarations page and are now addressed in Item (1a) of the Report.

(3) After further review, the violation for RPA063 has been withdrawn from the Report. The Company provided the requested declarations page with its response to the Report.

(4a) After further review, the violations for Anti-lock Brake, Passive Restraint and Daytime Running Lights discounts for RPA043, RPA044, RPA045, RPA046, RPA047, RPA048, RPA049, RPA051, RPA052, RPA053, RPA054, RPA055, RPA056, RPA057, RPA058, RPA059, RPA060, RPA061, RPA062, RPA063, RPA064 and RPA065 have been withdrawn from the Report.

One violation for RPA045 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with a Sentry key and an alarm system.

One of the three violations for RPA048 remains in the Report. The Company did not provide a copy of the Polk information for the 2012 Dodge Charger.

Two violations for RPA048 have been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated one vehicle was equipped with an engine immobilizer and the second vehicle was equipped with an anti-theft device.

One violation for RPA049 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with a pass-key security system.

One violation for RPA051 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with an engine immobilizer and alarm system.

One violation for RPA053 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information the vehicle was equipped with a Sentry Key and alarm system.

Three violations for RPA055 have been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated one vehicle was equipped with a keyless entry and alarm system, a second vehicle was equipped with a pass-key security system, and a third vehicle was equipped with an active keyless entry security system.

Two violations for RPA057 have been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated one vehicle was equipped with a Sentry key, keyless entry and alarm system and a second vehicle was equipped with an anti-theft device.

One violation for RPA059 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with an anti-theft device.

One violation for RPA065 has been added to the Report. The Company did not apply the Anti-theft discount to the policy when the Polk information indicated the vehicle was equipped with a pass-key security system.

- (4b) The violation for RPA059 remains in the Report. The Company incorrectly relied upon the MVR to consider an accident at-fault. Item 4 of the Company's Convictions/Accident Rule states, "Undisclosed accidents appearing on the driver's motor vehicle report will be considered not at fault unless other conflicting evidence is discovered." The Company did not provide evidence that the accident was wholly or partially the fault of the insured. The insured's MVR reflected +1 Safe Driving Points, which is assigned for each year a driver holds a valid Virginia license without any violations or suspensions. Since this driver was only licensed for one year, the Total State Points of +1 on the MVR was not a surcharge for the accident.
- (4c) The violation for RPA041 remains in the Report. The company failed to provide documentation from the ISO database or the "Vehicle Cost New" from its computer system to support the vehicle symbols used to rate this policy. This documentation was requested in the previous response to the Company.
- After further review, the violations for RPA044, RPA045, RPA048, RPA053 and RPA060 have been withdrawn from the Report.

Notices Mailed Prior to the 60th Day of Coverage

- (2) The violation for TPA014 remains in the Report. The Company should provide its calculations for earned premium and the SR-22 Fee. The policy premium was \$865.00. The Company should have only earned premium of \$76.46 for 16 days of coverage, instead of \$83. The Company should have only earned \$1.06 of the \$12 SR-22 Fee, instead of \$2.
- After further review, the violation for TPA017 has been withdrawn from the Report.
- (3) The violations for TPA012 and TPA017 remain in the Report. The Bureau has accepted the Company's electronic records as hard copies, which indicate the cancellation notices were mailed by the United States Postal Service (USPS). As such, the documentation must comply with subsection 1 of § 38.2-2208 A of the Code of Virginia to be valid proof of mailing. The Company's documentation did not include the required mailing list showing the USPS date stamp and paid written receipt.
- (4) After further review, the violation for TPA006 has been withdrawn from the Report. The Company provided documentation that the notice was sent to the lienholder electronically.
- The violations for TPA002, TPA005, TPA007, TPA008, TPA010, TPA016, and TPA017 have been revised for not obtaining valid proof of mailing the cancellation notices to the lienholder. The documentation provided by the Company indicated the notices were mailed to the lienholder. However, the Company's documentation did not include the mailing list generated by LexisNexis or the signed statement as required by subsection 1c of § 38.2-2208 A of the Code of Virginia.

Other Law Violations

This violation remains in the Report. The Bureau acknowledges that the SR-26 filing was made with Virginia Department of Motor Vehicles (DMV). However, there is no evidence that the filing was made within 15 days of the cancellation effective date. For reconsideration, the Company should submit evidence that the SR-26 was filed with the DMV within 15 days of the cancellation effective date.

Notices Mailed After the 59th Day of Coverage

The Bureau has some concerns with how the Company is handling the SR-22 and FR-44 requests. The Company's inability to add the financial responsibility to an existing policy creates a host of problems for the policyholder.

- The policyholder is required to get an entirely new policy period, not just rewrite of the existing term.
- If there has been a rate increase filed by the Company since the effective date, the insured is subject to an increase in premium sooner rather than later.
- If the insured has incurred a conviction for a moving violation or an accident a surcharge is applicable now that did not apply to the existing policy and the insured is subject to that surcharge earlier than he would have been.
- In some instances, the insured is being required to come up with a down payment at a time that a payment may not have been due.
- The Company may subject the insured to a new underwriting period, in which the company could cancel the policy for any reason within the first 59 days of the new policy. The company takes advantage of this time period when insureds require the FR-44 filing.

In addition to the concerns for the policyholder, the Company is not following its filed rules and rates.

- If this is a new business contract the application fee on the cancelled policy is prorated and the application fee on the new policy is waived. This insured is not being charged the same application fee as other insureds.
 - The Company is coding these as insured requested cancellations when they are not.
- (1) These violations remain in the Report. Insureds may require an SR-22 or FR-44 filing at any time during the policy period. As a result, the Company must have the ability to add such filings to the policy at any time as required by the statute.
 - (3) After further review, the violation for TPA080 has been withdrawn from the Report. The remaining violations remain in the Report. The Bureau acknowledges that these violations are not the result of rounding. The Company incorrectly used the short rate method instead of the pro rata method to calculate the earned premium for company-initiated cancellations. In addition, the Company also incorrectly applied credits to the policy when it reissued new policies to add a financial responsibility filing.
 - (4) The violations for TPA076 and TPA085 remain in the Report. The exclusion provided by § 38.2-2212 F of the Code of Virginia does not apply in these instances. The Company initiated these cancellations when the insureds contacted the Company to request a financial responsibility filing. Therefore,

the Company was required to retain valid proofs of mailing the cancellation notices to the insureds.

- (5) These violations remain in the Report. The Company did not cancel the policy for a reason permitted by the Code of Virginia after the 60th day of coverage. The Company indicated that the policies were cancelled in accordance with Virginia Statute 38.2-2212 F; however no documentation was provided by the Company to support that the insured in fact requested the policy to be canceled. Based upon policy documentation, the cancellation was company initiated and therefore held to the requirements set forth by the Virginia Code for cancellation occurring after the 60th day of coverage.
- (6) These violations remain in the Report. The Company should provide evidence that the insured was notified of the cancellation at least 45 days from the cancellation effective date. The Company indicated that the policies were cancelled in accordance with Virginia Statute 38.2-2212 F; however no documentation was provided by the company to support that the insured in fact requested the policy to be canceled. Based on policy documentation, the cancellation was Company initiated and therefore held to the requirements set forth by the Virginia Code for cancellation occurring after the 60th day of coverage.

Nonpayment of Premium Cancellations

- (1) The violation for TPA043 remains in the Report. Although this policy actually expired, the cancellation notice stated an incorrect policy number and an incorrect cancellation effective date. This incorrect date made the renewal policy appear to be in effect for one day of coverage.
- (2) The violation for TPA019 remains in the Report. The Company incorrectly earned premium of \$403 for a period of February 4, 2013 to June 3, 2013 with a coverage lapse from May 4, 2013 to May 5, 2013. However, the policy was in effect from February 4, 2013 to June 4, 2013 with a coverage lapse from May 4, 2013 to May 6, 2013 for an earned premium of \$398.68.

The violation for TPA022 remains in the Report. The Company incorrectly charged for a fourth installment fee. The policy cancelled effective May 24, 2013. The Company incorrectly charged for the installment bill that was sent to the insured on May 30, 2013.

The violation for TPA033 remains in the Report. The policy premium was \$792 from January 16, 2013 to March 2, 2013. The policy was endorsed on March 2, 2013 for a decrease in premium to \$745. The policy cancelled on June 11, 2013. The Company incorrectly earned premium of \$601 instead of \$605.85.

The violation for TPA034 remains in the Report. The policy premium was \$1,374. The Company should have earned premium of \$911.02 for 122 days of coverage instead of \$916.

The violation for TPA039 remains in the Report. The policy premium was \$409. The Company should have earned premium of \$345.73 for 153 days of

coverage instead of \$341. In addition, the Company should have earned \$10.14 of the two \$24 SR-22 Fees.

The violation for TPA042 remains in the Report. The Company should have earned a total premium of \$2,735.48 instead of \$2,725. The policy premium was \$3,574 from April 3, 2013 to April 11, 2013. The policy was endorsed on April 11, 2013 for a decrease in premium to \$3,344.00. The policy had a lapse in coverage from August 3, 2013 to August 7, 2013. The policy cancelled on September 3, 2013.

The violation for TPA047 remains in the Report. The policy was in effect from May 16, 2013 to September 16, 2013. The Company incorrectly used the dates from May 16, 2013 to September 15, 2013.

- (3) After further review, the violation for TPA018 has been withdrawn from the Report.

The violations for the remaining 20 cancellations remain in the Report. The Bureau has accepted the Company's electronic records as hard copies, which indicate the cancellation notices were mailed by the United States Postal Service (USPS). As such, the documentation must comply with subsection 1c of § 38.2-2208 A of the Code of Virginia to be valid proof of mailing. The Company's documentation did not include the required mailing list showing the USPS date stamp and paid written receipt.

- (4b) These violations remain in the Report. The Company did not provide the proof of mailings for the notices sent to the lienholders. The documentation provided by the Company was proof of mailings for the notices mailed to the insured.

- (5a) The violation for TPA040 remains in the Report. The Company failed to provide any additional information to consider. Per the policy notes, the Company was aware of the insured's address change on October 4, 2013 when the cancellation notice was mailed on October 11, 2013. The Company was required to send the notice to the address on the policy or the last known address.

Other Law Violations

This violation remains in the Report. The Bureau acknowledges that the SR-26 filing was made with DMV. However, there is no evidence that the filing was made within 15 days of the cancellation effective date. For reconsideration, the Company should submit evidence that the SR-26 was filed with DMV within 15 days of the cancellation effective date.

Insured Requested Cancellations

- (1) These violations remain in the Report. The Company incorrectly fully earned the application fee, did not calculate earned premium using the correct cancellation effective dates, and/or did not apply the short rate method to these insured requested cancellations.

- (2) These violations remain in the Report. The Company has not provided any evidence that the insureds contacted the Company to initiate cancellation of the policy. All policy file information indicated the insureds only wanted to have a financial responsibility filing submitted to DMV. Insureds may require an SR-22 or FR-44 filing at any time during the policy period. As a result, the Company must have the ability to make these filings at any time during the existing policy period as required by the statute.

Claims Review

- (9c) The violation for CPA075 has been withdrawn from the Report. The Company has provided proof of payment issued June 30, 2014 in the amount of \$5,381.76. The Company has noted on the Restitution Spreadsheet that payment was made in the amount of \$5,704.67. If the Company has issued an additional check for the 6% interest please provide evidence of this additional payment.
- (13a) These violations remain in the Report. The Company sent Reservation of Rights letters upon notification of a claim before an investigation had begun. For example, the Company sent Reservation of Rights letters to insureds when the driver of the vehicle was not listed on the policy. These letters were sent without first obtaining basic information such as had the operator been granted permissive use, the driver's address, original application information, etc.
- (16) The violation for CPA035 remains in the Report. The insured was air-lifted from the scene of the accident. The Company questioned coverage based on the policy inception date ten days before the loss. The Company obtained a recorded statement from the insured on August 21, 2013. The Company delayed payment pending receipt of a police report. The Company received the police report on September 9, 2013, but did not settle the total loss until September 16, 2013.

The violation for CPA038 remains in the Report. The Company's initial estimate was \$922.19 on September 12, 2013. On October 3, 2013, the Company was aware that a supplement was needed but no supplement was completed. The Company assigned a new appraiser on October 16, 2013 wherein the supplement was finally completed on October 21, 2013. The Company did not pay the supplement until October 31, 2013. The final repair cost on this vehicle was \$3,867.22. A total of 72 days lapsed from the date of loss to the date of the final payment.

The violation for CPA047 remains in the Report. The Company's file states "no coverage issues" on September 3, 2013. The delay in providing the total loss paper work until October 3, 2013 was not related to coverage. The issue regarding the Property Damage Liability coverage limits (unrelated to the insured's physical damage coverage) was not recognized by the Company until March 2014. The Company received a subrogation demand on March 12, 2014 and did not issue a payment for at least four months.

The violation for CPA075 remains in the Report. The Company has not addressed the delay in refusing to accept a copy of the insured's citation as

proof of the time of the loss versus a copy of the police report. This loss was reported on February 6, 2014. The Company would not accept coverage until March 25, 2014, 15 days after receiving the police report and 47 days after the report of the loss.

Other Law Violations

- (2) These violations remain in the Report. The releases were required by the Company in exchange for payment on a claim. As such, the fraud statement is required.

The Company has responded that a release is not a claims document but is instead a legal document that can be used outside of the claims context. However, the Company has used the release within the claims context and as such this process should conform to the requirements of the law.

New Business Policy Issuance Review

- (1) These violations remain in the Report. During a conference call with Company representatives on October 13, 2015, the Company acknowledged that the forms that were not applicable should not appear on the declarations page. The Company should provide an estimated completion date for this change.
- (2) The violation for MPA002 remains in the Report. The Company did not provide any additional explanation or necessary documentation for the examiners' review.
- (3) The Bureau acknowledges that the Company provided a corrected declarations page.
- (4) The violation for MPA001 remains in the Report. The letter (POLIS-VA-0114) provided by the Company did not include a Credit Adverse Action notice.

Renewal Business Policy Issuance Review

- (1) These violations remain in the Report. During a conference call with Company representatives on October 13, 2015, the Company acknowledged that the forms that were not applicable should not appear on the declarations page. The Company should provide an estimated completion date for this change.
- (2) The Bureau acknowledges that the Company provided a corrected declarations page.
- (3) The violation for MPA009 remains in the Report. The policy issuance file provided for the examination included the Credit Adverse Action Notice (ADVUW0712) and listed four adverse characteristics impacting the insured's score. This policy was less than three years old.

General Statutory Notices Review

After further review, this violation has been withdrawn and a recommendation has been added. Use of this notice is misleading to the insured, as the Company has indicated that credit is not used in underwriting the policy but has failed to indicate that credit is used in pricing the risk.

Vehicle Statutory Notices Review

- (1) Please provide the estimated completion date for correcting the Medical Expense Benefits notice.
- (2) Please provide the estimated completion date for correcting the Insurance Credit Score Disclosure notice.
- (3) Please provide the estimated completion date for correcting the Credit Score Adverse Action notice.

Complaint Handling Review

The violation for the Complaint Register remains in the Report. The Company responded with a revised register. The Company cannot submit a revised Complaint Register to indicate the original register was accurate. The revised register still does not include the total number of complaints, the nature of each complaint, and the disposition of the complaints, per § 38.2-511 of the Code of Virginia. The Date of the Loss column includes numbers instead of dates.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (9) The Company indicated in the Restitution spreadsheet that it agrees to the \$150.52 premium overcharge for RPA019. The Company should make restitution to the insured.

Termination Review

- (3) The Company amended the amount of restitution in the spreadsheet for TPA076. However, the Company has failed to advise how the revised amount was determined. The Company should provide the calculations for the revised restitution amount.

Claims Review

- (1) The \$309.60 underpayment for CPA003 remains in the Report. The documentation provided by the Company shows a value of \$8,655.00 plus \$259.65 tax and \$12.00 for the tag and title fees. This equals \$8,926.65 less the \$500.00 deductible for a total of \$8,426.65. The Company paid \$8,205.20 leaving a balance due to the insured in the amount of \$221.45. In addition, the Company failed to pay all of the Transportation Expenses billed by the rental company, totaling \$88.15.

The underpayment for CPA008 has been adjusted to \$340.00 plus 6% interest. The Company did not consider payment until March 2, 2015; eight months after the Bureau reviewed this claim. The Company paid the \$340.00, but owes the insured six percent interest in the amount of \$20.40.

The \$9,999.99 underpayment for CPA034 remains in the Report. The Company has not provided sufficient documentation to deny medical benefits coverage to the insured. The insured purchased the vehicle two weeks prior to the loss. The Virginia Amendatory endorsement requires that the insured notify the Company of a newly acquired vehicle within 30 days "after you become the owner." The loss was within this window of time and therefore, medical benefits coverage should be afforded to the insured. The Company has stated that "med pay exclusion numbers 5 and 6" apply to this loss. The Medical Expenses Benefits endorsement does not have any exclusion numbers "5 and 6."

The \$600 underpayment for CPA038 remains in the Report. The insured did not reject a rental. The insured said she could not afford the difference in the cost of the rental versus the inaccurate coverage limits that the Company imposed upon her. The Company has not provided correspondence proving that a rental was not obtained, especially considering the time from the report date to the date the Company paid the loss was 72 days.

The \$1,210.43 underpayment for CPA039 remains in the Report. The Company does not have a valid assignment of benefits that complies with § 38.2-2201 B and D of the Code of Virginia.

The violation and underpayment for CPA057 has been withdrawn from the Report.

The \$9,999.99 underpayment for CPA058 remains in the Report. The Company has not provided any documentation that the stereo was not permanently installed. The Bureau requested that the Company contact the insured, determine if the stereo was permanently installed and report back to the Bureau. The Bureau again requests that the Company contact the insured and obtain the information so that coverage can be resolved on this October 22, 2013 loss.

The \$200.00 underpayment for CPA069 remains in the Report. The Company should reimburse the insured's \$200.00 UMPD deductible without any further delay. The UMPD deductible does not apply to uninsured motorist losses where the uninsured driver has been identified. The Company should review Section E 1 and 2 of the Uninsured Motorists endorsement wherein an "uninsured motor vehicle" is defined.

The \$999.99 underpayment for CPA072 remains in the Report. The Company has not responded to the Bureau's July 17, 2015 request for an explanation and documentation of the actual amount due or confirmation that all expenses were reimbursed prior to the examination.

The Company indicated the \$5,704.67 was paid for CPA075 prior to the examination. Please provide the check number, the date the check was issued and who the check was made payable to for this claim.

The \$4,000.00 underpayment for CPA077 remains in the Report. The Company paid this claim after it was examined by the Bureau. The Company owes the insured \$240.00 in interest and should pay the insured without further delay.

PART THREE – EXAMINERS’ RECOMMENDATIONS

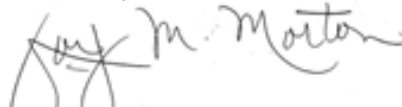
General Statutory

A recommendation has been added for the credit disclosure information included in the Notice of Information Collection and Disclosure Practice document.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review.

Once we have received and reviewed the Company’s responses to these items, we will be in a position to make a settlement offer. We look forward to your response by December 1, 2015.

Sincerely,



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

Enclosures

Andrea Baytop

From: Jeffrey Little <Jeffrey.Little@safeauto.com>
Sent: Monday, November 30, 2015 5:08 PM
To: Joy Morton; Andrea Baytop
Cc: Mark Le Master; David Kostreva
Subject: Safe Auto Market Conduct Examination
Attachments: Safe Auto Restitution 11.06.15 -- SAIC Version 11302015.xlsx; SAIC Response 3 to Draft Report 11302015.pdf

Follow Up Flag: Follow up
Flag Status: Completed

Joy/Andrea –

Attached please find our response to the most recent correspondence and report iteration, together with the updated Restitution Spreadsheet.

We are awaiting a few straggling pieces of documentation to come in, and will be forwarding all of the supporting documentation to you within the next day or two.

I will be out of the office from tomorrow afternoon through December 17th. I will be checking e-mail, but please copy Dave Kostreva on any communications that are necessary in the interim, so that we can be sure to get back to you promptly. Dave will be providing the supporting documentation.

Thanks for your assistance. We look forward to bringing this matter to a conclusion.

Jeff

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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Safe Auto Insurance Company

4 Easton Oval
Columbus, OH 43219-6010
Tel.: (614) 231-0200
www.safeauto.com

Executive Offices

November 30, 2015

Ms. Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
VIRGINIA BUREAU OF INSURANCE
P.O. BOX 1157
Richmond, Virginia 23218

**Re: Safe Auto Insurance Company Market Conduct Examination (No.: VA097-M13)
Exam Period (April 1, 2013 – March 31, 2014)**

Dear Ms. Morton:

We acknowledge receipt of the Department's correspondence of November 9, 2015, providing the Department's current position with respect to the Draft Report. We take this opportunity to respond to the various points raised.

Again, in the interests of brevity, we will address only those topics where there is a difference of opinion concerning the substance of the allegation. Please note that any areas of disagreement represent legitimate differences of opinion, either in legal interpretation or application of such interpretation to a specific set of facts. We make these points to document our position as part of the examination report record, and preserve our rights on those questions. We fully anticipate that we will reach an appropriate agreement with the Department that will enable us to close this examination and move forward with our Virginia book of business.

We specifically incorporate our prior communications on this matter, and once again note that neither our silence on a particular issue, nor any agreement to undertake remedial action of any kind or character, represents an admission on our part of any violation of law.

New Business Rating and Underwriting Review

1(b) We have agreed to modify our Declarations Page to include form numbers for only those coverages actually purchased. However, we do not believe that our existing declarations page violates Virginia law, and specifically do not believe that it constitutes misrepresentation. We again note that this format is used throughout our national footprint, without objection.

4(b) We reiterate our disagreement with the Department's findings on RPA011 and RPA032. Nothing in the statute prevents us from relying upon the insured's affirmative representations as to violations. MVR's are not infallible, and the ability of an insurer to rely upon statements made by the insured in the application and underwriting process is fundamental to the business of insurance.

Renewal Business Rating and Underwriting Review

1(b) We have agreed to modify our Declarations Page to include form numbers for only those coverages actually purchased. However, we do not believe that our existing declarations page violates Virginia law, and specifically do not believe that it constitutes misrepresentation. We again note that this format is used throughout our national footprint, without objection.

4(b) We continue to disagree with the Department's characterization of the RPA059 violation, and adhere to our belief that the policy was properly surcharged.

Termination Review

Company Initiated Cancellations – Notice Mailed Prior to 60th Day of Coverage

(3) We note our continuing disagreement as to the Department's interpretation of the law, its interplay with UETA, and the application of those standards to our cancellation documentation. We do note that this is moot on a going forward basis, as intervening legislative action has expressly sanctioned our methodology.

(4) For the same reasons noted above in section (3), we believe that the documentation furnished complies with Virginia law, including UETA and §38.2-1904(B)(2).

Other Law Violations

We are providing the documentation showing that the SR-26 was filed within the statutory time frame.

Company Initiated Cancellations – Notice Mailed After 59th Day of Coverage

In response to the general concerns set forth in the Department's correspondence, we note that we have agreed to conduct an evaluation and feasibility assessment relating to the time and effort required to modify our system to permit mid-term addition of financial responsibility filings mid-term without issuing a new policy number. That effort is ongoing, and we will advise the Department of the details once those are available to us.

However, it is important to maintain the distinction between issues pertaining to financial responsibility filings and those pertaining to policy cancellations. Nothing in the financial responsibility statutes governs any aspects of policy management, and we have independently demonstrated that the financial responsibility filings were, in fact, made without delay.

Insofar as the referenced potential policy issues are concerned, and as we explained in the course of our discussions, we are aware of these *potential* issues, and have taken steps to insure that these are not, in fact, experienced. Specifically, we do not treat policies involved in this issue as creating a new underwriting period, and there are no instances where we utilized that potential to effectuate a cancellation. Further, we do not run a new MVR when these policies are issued, so intervening accidents/violations would not be a factor. In general, we attempt to put the insured in the same situation he/she would have been in had the system allowed the financial responsibility filing under the same policy number. In fact, our efforts in this regard, such as waiving the application fee for the new policy (which again puts the insured in the same position he/she would have held had we been able to maintain the same policy number when issuing the financial responsibility filing) have been the subject of separate criticisms by the Department.

In terms of other impacts, while exposure to a rate increase is theoretically possible, it is equally possible that the insured would be entitled to an intervening rate decrease, or the availability of additional discounts.

(1) We again note that financial responsibility filings were made in a timely manner. The financial responsibility statutes say nothing about policy numbers or other underlying details. (We also note that we are addressing any internal misperceptions of the FR-44 guidelines as a training issue.)

(3) We reiterate that we have agreed to make the requested payments as an accommodation, but strongly disagree with the Departments characterizations.

(4) We respectfully disagree with the Department's position that the involved cancellations were not at the insured's request, and further note that the issuance of credits was designed to put the insured in the same shoes as those who have financial responsibility filings from policy inception. There is no disparate treatment here.

(5) We respectfully disagree with the Department's position that the involved cancellations were not at the insured's request, and provided telephone recordings supporting that fact.

(6) We respectfully disagree with the Department's position that the involved cancellations were not at the insured's request, and provided telephone recordings supporting that fact.

All Other Cancellations – Nonpayment of Premium

(1) The circumstances here do not represent a violation of the statute. The policy terminated via expiration of its own terms, as the insured did not accept the offer of renewal. Thus the policy did not involve a cancellation.

(2) While we continue to disagree with the Department's rationale, we have agreed to make the requested payments as an accommodation to the insureds.

(3) We note our continuing disagreement as to the Department's interpretation of the law, its interplay with UETA, and the application of those standards to our cancellation documentation. We do note that this is moot on a going forward basis, as intervening legislative action has expressly sanctioned our methodology.

(4b) We note that our records do not reflect an active criticism with respect to TPA028, as those were previously withdrawn. For TPA031, the criticism involving proof of mail addresses only the cancellation notice to the insured, and in response to a criticism regarding retention of electronic lienholder transmission, we previously provided documentation showing that lienholder cancellation was sent and documented. (Our Criticism Numbers 366 and 856, respectively). That documentation is being provided on separate disc, as are proofs of mail for TPA033, TPA037, TPA046 and TPA055 we are attaching the proof of mail for the lienholder.

Other Law Violations

We are providing the relevant cancellation notices and online screenshots from BMV records on separate disc, showing that the SR-26 was filed within 15 days of cancellation in each instance.

Insured Request Cancellation

(1) While we disagree with the Department's characterization, we have agreed to make the requested payments as an accommodation to the insureds.

(2) As discussed extensively above, we disagree with the Department's characterization, and believe that these cancellations do qualify as insured request cancellations.

CLAIMS REVIEW

(9c) This was a typographical error. The amount paid was \$5,381.76

(13a) We continue to disagree with this finding, as we are legally entitled to reserve our rights with respect to potential coverage issues that we believe may exist. As a matter of law, this act cannot constitute a misrepresentation, and there is no other legal prohibition cited by the Department.

(16) Without reiterating the points previously raised, we do not believe any of the cited instances represent undue delay under the factual circumstances presented in those claims.

Other Law Violations

(2) While we continue to disagree with the Department's legal interpretation, we will add this language to releases used in the claims context.

Policy Issuance Process -- New Business

(1) We have agreed to modify our Declarations Page to include form numbers for only those coverages actually purchased. However, we do not believe that our existing declarations page violates Virginia law, and specifically do not believe that it constitutes misrepresentation. We again note that this format is used throughout our national footprint, without objection.

(4) The wrong letter was included in error. A copy of the Adverse Action Notice is included on the separate disc.

Policy Issuance – Renewal Business

(1) We have agreed to modify our Declarations Page to include form numbers for only those coverages actually purchased. However, we do not believe that our existing declarations page violates Virginia law, and specifically do not believe that it constitutes misrepresentation. We again note that this format is used throughout our national footprint, without objection.

(3) We reiterate our previous position. No credit inquiry was made at renewal.

General Statutory Notices

(1), (2) and (3) – These are part of the coordinated IT effort to implement remedial measures arising from this examination. We are awaiting final scope and time estimates, and will provide those as soon as they are available.

Complaint Handling Review

The revised register was not provided to establish past compliance, but to show that remedial measures have been undertaken. The log does reflect the number of complaints, includes the disposition in Column AK, and

the nature of each complaint is set forth in Columns G and H. The formatting issue in the Date of Loss column has been corrected.

PART TWO: CORRECTIVE ACTION PLAN

As is noted below, detail concerning specific proposed remediation payments is also incorporated in the Annotated Restitution Spreadsheet being provided concurrently with this response. The following addresses the specific items noted in the Department's correspondence:

Rating and Underwriting Review

(9) Payment has been authorized in the indicated amount.

Terminations Review

(3) The requested calculations are being provided on separate disc.

Claims Review (numbering provided for convenience)

- (1) We agreed to pay this in our criticism response. As reflected in the Restitution Spreadsheet, \$88.15 has already been paid. We have now paid the remaining \$221.45.
- (2) We have paid the \$20.40 in interest on CPA008.
- (3) On CPA034, the denial of coverage was proper. (The exclusions erroneously used the numbering from the ISO basic coverage form itself, rather than the Virginia Amendatory Endorsement). Here, the investigation established that the insured acquired the vehicle involved in the accident one month *before* the inception of the policy. Accordingly, it cannot be a "newly acquired auto" under the policy definition, as the insured did not become the owner of that vehicle "during the policy period." Further, the Virginia Medical Expense and Income Loss Benefits Coverage endorsement specifically limits the definition of "your covered auto" to a vehicle that is owned by the named insured, is insured for liability under the policy, and for which a specific premium is charged for the coverage. The vehicle in question does not meet this threshold test, and is not "your covered auto" for purposes of the Medical Payments Coverage. Thus, Exclusion 2(d) (which is the same as Exclusion 5 on the ISO form) precludes coverage, as the subject vehicle is owned by the named insured, and is not "your covered auto." Hence, no coverage existed under the medical expense coverage.
- (4) We have paid the requested amount for CPA038.
- (5) We respectfully disagree with the Department's characterization of this issue with respect to CPA039. The Assignment is executed between the insured and the medical provider, not us. The code section specifically contemplates additional documentation that the insured can be provided to meet the disclosure requirements, and further investigation would need to be conducted to determine whether that was provided. However, even if the assignment does not adhere to all of the formalities of the Code section, this does not somehow negate the payment or increase our applicable limits. There is no dispute that this payment was made, received and paid for the benefit of the insured. Arguing that somehow this form issue allows the insured (who is in a superior position to control this) to obtain double recovery is unsupported by the statute, and serves only to promote fraud.

- (6) Documentation concerning CPA072 is being provided on separate disk, and CPA058 is in the process of the requested additional investigation. We will update the Department as soon as all relevant additional information is obtained and its impact on our coverage/payment position is determined. Additional payments made on CPA072 are documented in the Restitution spreadsheet.
- (7) As noted with respect to Item 9(c) in the Claims Review section above, this was a typographical error, drawing from the incorrect column on the spreadsheet. The amount paid was actually \$5,381.76.
- (8) We have paid the \$240.00 interest payment for CPA 077.

SPECIFIC CORRECTIVE ACTION ELEMENTS

As we have discussed with the Department, we are in the process of evaluating feasibility, requirements and duration for those elements of corrective action requiring information technology modifications. These elements include:

- System modifications to allow mid-term association between a given policy and a financial responsibility filing
- Modify the Declarations Page to include only specific coverage form numbers that actually represent coverages provided for a particular policy
- Modify releases used in the claims process to include a statutory fraud warning
- Modify the Medical Expense Benefits notice to include mandatory boldface type
- Modify the Uninsured Motorist Limits notice to include mandatory boldface type
- Modify the Adverse Action notice to reflect statutory language
- Modify the Credit Score Disclosure notice to reflect statutory language
- Insure all indemnity checks include reference to the coverage the payment applies to.

These evaluations are underway, and we will provide a more detailed timetable for their implementation as soon as more specific information is available – hopefully within the next thirty (30) days.

In addition, certain modifications have already been implemented, including:

- Declarations page modifications to remedy issues with premium totals, towing coverage description and rental limits
- Revisions to Complaint Log

We are also in the process of developing and providing specific training emphasis concerning the other areas discussed in the Draft Report, including claims investigation, file documentation, recognition of specific coverage issues, coverage disclosures, financial responsibility processing and similar matters touched on in the Report. Each of these is the subject of existing training, but particular emphasis will be placed on the identified areas for improvement for our Virginia personnel. This will be part of our existing training regimen,

supplemented by targeted communications and meetings focused on the findings of this examination. Additional details will be furnished as individual components are implemented.

RESTITUTION SPREADSHEET

We are providing an annotated version of the Department's most recent iteration of the Restitution Spreadsheet as part of this response, outlining payments made, payments in progress, items disputed and items remaining under investigation.

We acknowledge the Department's assistance in the course of the examination.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey A. Little", with a stylized flourish at the end.

Jeffrey A. Little
Associate General Counsel

Andrea Baytop

From: Joy Morton
Sent: Wednesday, March 02, 2016 5:38 PM
To: 'David Kostreva'; Andrea Baytop; Jeffrey Little
Subject: RE: Safe Auto Market Conduct Examination
Attachments: SC365-VA2170 (SR-26).pdf; SC375-VA17213 (SR-26).pdf

These attachments did not include the DMV confirmation.

Joy Morton, MCM
BOI - Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: David Kostreva [mailto:David.Kostreva@safeauto.com]
Sent: Wednesday, March 02, 2016 5:30 PM
To: Joy Morton; Andrea Baytop; Jeffrey Little
Subject: RE: Safe Auto Market Conduct Examination

Joy,

We believe the criticism leading to this submission was limited specifically to the failure to provide a copy of the SR-26. Accordingly, we provided you with a copy of the SR-26, which was properly and timely filed with the Virginia Department of Motor Vehicles ("VA DMV"), and which fully complies with the request set forth in this criticism.

Further, we are providing you with the confirming entry from the DMV system, which clearly demonstrates this SR-22 was terminated on January 21, 2014, in accordance with our properly filed SR-26, see attached.

We trust this confirming entry from the VA DMV will resolve any concern the Bureau may have with the credibility of this documentation.

Please let us know if you have further questions.

Respectfully,

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Joy Morton [mailto:Joy.Morton@scc.virginia.gov]
Sent: Wednesday, March 02, 2016 2:04 PM
To: David Kostreva <David.Kostreva@safeauto.com>; Andrea Baytop <Andrea.Baytop@scc.virginia.gov>; Jeffrey Little

<Jeffrey.Little@safeauto.com>

Subject: RE: Safe Auto Market Conduct Examination

David:

We are not able to accept the SR 26 information provided in the attached document. You have included a completed form with a blank document which appears that the company can fill in this information at any time and alters the credibility of the documentation. If you all would like to have a discussion about this please feel free to contact us.

Joy Morton, MCM
BOI - Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Wednesday, March 02, 2016 10:38 AM
To: Andrea Baytop; Jeffrey Little; Joy Morton
Subject: RE: Safe Auto Market Conduct Examination

Andrea,

I believe we provided some of this supporting documentation to your office, via email correspondence on 12/17/2015, 1/8/2016 and 1/11/2016, because of some delay in our calculation of a specific refund. I also find some additional supporting documentation may not have been sent, as previously indicated. Accordingly, please find attached the remaining and available documentation in support of our company's third response to the VA BOI dated November 30, 2015, which is incorporated herein by reference.

Respectfully,

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Wednesday, March 02, 2016 9:10 AM
To: David Kostreva <David.Kostreva@safeauto.com>; Jeffrey Little <Jeffrey.Little@safeauto.com>; Joy Morton <Joy.Morton@scc.virginia.gov>
Subject: RE: Safe Auto Market Conduct Examination

Hi David,

The company's response references a disc under the Policy Issuance Process-New Business section Item (4). However, we do not have any record of receiving a disc with this response. Please send the referenced disc, e-mail the intended documentation, or let me know if you all did not intend to send any additional information.

Thank you,

Andrea Baytop, MCM

Senior Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
andrea.baytop@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Tuesday, March 01, 2016 8:39 AM
To: Andrea Baytop; Jeffrey Little; Joy Morton
Subject: RE: Safe Auto Market Conduct Examination

Good morning Andrea,

Thank you for your immediate reply and for providing this information. At this time, we believe all necessary restitution payments have been made or credits applied to applicable policies, pursuant to this exam. I am working to secure proof of all restitution payments and credits. I anticipate providing you with the same this week.

Respectfully,

David

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Monday, February 29, 2016 5:46 PM
To: David Kostreva <David.Kostreva@safeauto.com>; Jeffrey Little <Jeffrey.Little@safeauto.com>; Joy Morton <Joy.Morton@scc.virginia.gov>
Subject: RE: Safe Auto Market Conduct Examination

Hello David,

We have just returned to the office to resume the Safe Auto examination process. Having received the company's complete response to our Revised Report, we will now review the company's complete 3rd response, including the three follow-up e-mails on 12/17/15, 1/08/16 and 1/11/16. Please let us know if we have omitted an e-mail.

Joy noticed last week that all of the restitution has not been paid for violations to which the company has not indicated any disagreement. If the company does not disagree with a violation, the restitution should be paid or credited to insureds for rating and termination overcharges and paid by check to insureds and claimants for any claim underpayments. We are unable to close the examination with outstanding restitution.

The company should receive a Revised or Final Report no later than May. Although Joy was out sick today, feel free to contact us later in the week if you have any additional questions or concerns.

Sincerely,

Andrea Baytop, MCM

Senior Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
andrea.baytop@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Monday, February 29, 2016 5:26 PM
To: Andrea Baytop; Jeffrey Little; Joy Morton
Subject: RE: Safe Auto Market Conduct Examination

Andrea,

My apologies for the typo in my greeting. It is has been a long day!

I hope you have a pleasant evening.

Dave

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: David Kostreva
Sent: Monday, February 29, 2016 5:24 PM
To: 'Andrea Baytop' <Andrea.Baytop@scc.virginia.gov>; Jeffrey Little <Jeffrey.Little@safeauto.com>; 'Joy Morton' <Joy.Morton@scc.virginia.gov>
Subject: RE: Safe Auto Market Conduct Examination

Good evening Angela,

I wanted to reach out and inquire whether my last correspondence provided you with all of the outstanding documentation being requested by your office, as it relates to this exam? If there are any additional records of documents which your office is expecting, I am happy to review and provide if available.

I would also like to provide my Board of Directors with a quarterly update on this examination. Accordingly, I would greatly appreciate a current status of the final report for this exam, if you are able to share the same with me at this time.

Very respectfully,

David R. Kostreva II, Esq.

Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: David Kostreva
Sent: Monday, January 11, 2016 5:04 PM
To: 'Andrea Baytop' <Andrea.Baytop@scc.virginia.gov>; Jeffrey Little <Jeffrey.Little@safeauto.com>; 'Joy Morton' <Joy.Morton@scc.virginia.gov>
Cc: Mark Le Master <mark.lemaster@safeauto.com>
Subject: RE: Safe Auto Market Conduct Examination

Andrea,

I am now providing you with confirmation of reimbursement payments for Terminations listed on this attached document. You will see one policy ([REDACTED]) which does not have a reimbursement check issued because of an outstanding balance owed by the policyholder than the reimbursement amount. If this policyholder should purchase another SafeAuto policy in the future, they will realize this outstanding balance reduced by the amount of this reimbursement. Please see the attached Policy Notes reflecting this action.

Further, you will see only additional policy ([REDACTED]) which does not have a reimbursement check issued because this amount was credited to the policyholder's currently active policy balance and noted as a "Policy Balance Transfer," on the attached Policy Notes reflecting this action.

Respectfully,

David

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: David Kostreva
Sent: Friday, January 08, 2016 4:14 PM
To: 'Andrea Baytop' <Andrea.Baytop@scc.virginia.gov>; Jeffrey Little <Jeffrey.Little@safeauto.com>; 'Joy Morton' <Joy.Morton@scc.virginia.gov>
Cc: Mark Le Master <mark.lemaster@safeauto.com>
Subject: RE: Safe Auto Market Conduct Examination

Andrea,

Thank you for your patience. I am providing to you a detailed refund calculation for Review Sheet Number TermOvr60PPA-1354032900, as well as a list of refund payments made on Ratings criticisms. We will provide confirmation of reimbursement payments for Terminations as soon as possible.

First, we are supplementing our response to Review Sheet Number TermOvr60PPA-1354032900 by stating that we find this policy to be overcharged by \$40, and this amount is directly related to a clerical error in our manual process for waiving the \$40 application fee, on a re-written policy, under this specific circumstance. Our policy limitations require the policy agent to manually waive the full amount of the \$40 application fee immediately upon re-write of said policy. The policy representative required managerial assistance to process this insured's SR-22 request and, in doing so, the representative neglected to manually waive this application fee to the policy. Attached please find our refund calculation, which highlights the representative's failure to waive this \$40 application fee, and further explain the remaining policy balance transfer amount.

Second, please find attached the list of reimbursement payments made to our policyholders as they relate to findings (Ratings) during this exam. Please be advised, in several instances, we applied the reimbursement amount as a credit to the policyholder's currently active policy, noted on this list as a "Policy Balance Transfer." This action was noted on Policy History for the subject policy number listed herein and the policyholder's active policy. Please see attached Policy History pages for these listed policies. There was one policy listed which maintained an outstanding balance owed which was greater than the reimbursement amount. Finally, on Policy [REDACTED] the initial down payment was never received and said policy was never in force. Accordingly, there was no reimbursement to issue on this policy number.

Please let me know if you have any questions.

David

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: David Kostreva
Sent: Monday, January 04, 2016 4:50 PM
To: 'Andrea Baytop' <Andrea.Baytop@scc.virginia.gov>; Jeffrey Little <Jeffrey.Little@safeauto.com>; Joy Morton <Joy.Morton@scc.virginia.gov>
Cc: Mark Le Master <mark.lemaster@safeauto.com>
Subject: RE: Safe Auto Market Conduct Examination

Andrea,

Our Product management team is much closer to producing this refund calculation data, and I respectfully request a very short extension of time, until January 8th, to produce the same. I will send it to you asap.

We discussed status of this data with our PM team on 12/23 and I should have sent a follow-up email to you with such status. My apologies for the delay.

Respectfully,

David

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Monday, January 04, 2016 4:06 PM
To: David Kostreva <David.Kostreva@safeauto.com>; Jeffrey Little <Jeffrey.Little@safeauto.com>; Joy Morton <Joy.Morton@scc.virginia.gov>
Cc: Mark Le Master <mark.lemaster@safeauto.com>
Subject: RE: Safe Auto Market Conduct Examination

Hello Jeff and David,

You stated that we would receive the final portion of additional information by December 23, 2015 for the third Safe Auto Response to the Virginia market conduct report. Unfortunately, we do not have any record of receiving anything since your e-mail on December 17th.

If you have sent the information, please provide the date it was sent, addressee name, and the method of delivery. Otherwise, please let us know what date we should expect the additional documentation or if we can now consider the Safe Auto response complete.

Thank you,

Andrea Baytop, MCM
Senior Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
804.371.9547
andrea.baytop@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Thursday, December 17, 2015 10:57 AM
To: Andrea Baytop; Jeffrey Little; Joy Morton
Cc: Mark Le Master
Subject: RE: Safe Auto Market Conduct Examination

Joy and Andrea,

Thank you for your patience with us in providing the attached supporting documentation to you.

Attached please find the additional efforts SafeAuto made to complete its investigation into whether the insured's car stereo was permanently installed in the vehicle on Claim # [REDACTED] (CPA 058). In the last 30 days, two additional phone calls were made and voicemails left for the insured, and an email sent to the insured. To date, the insured is not responding these attempts to contact and complete this

investigation. SafeAuto is making additional efforts verify current contact info, and will make further attempts to contact if new contact info is discovered.

SafeAuto's Product Management team is currently reviewing the requested refund calculations for Criticism 762 and will provide the same to you on or before December 23, 2015.

Respectfully,

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Monday, November 30, 2015 5:30 PM
To: Jeffrey Little <Jeffrey.Little@safeauto.com>; Joy Morton <Joy.Morton@scc.virginia.gov>
Cc: Mark Le Master <mark.lemaster@safeauto.com>; David Kostreva <David.Kostreva@safeauto.com>
Subject: RE: Safe Auto Market Conduct Examination

Hello Jeff,

We have received the company's response and will forward any correspondence to you and Dave. We will await the additional pieces from Dave that are due to arrive this week.

Thank you,

Andrea Baytop, MCM
Senior Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
andrea.baytop@scc.virginia.gov

From: Jeffrey Little [<mailto:Jeffrey.Little@safeauto.com>]
Sent: Monday, November 30, 2015 5:08 PM
To: Joy Morton; Andrea Baytop
Cc: Mark Le Master; David Kostreva
Subject: Safe Auto Market Conduct Examination

Joy/Andrea –

Attached please find our response to the most recent correspondence and report iteration, together with the updated Restitution Spreadsheet.

We are awaiting a few straggling pieces of documentation to come in, and will be forwarding all of the supporting documentation to you within the next day or two.

I will be out of the office from tomorrow afternoon through December 17th. I will be checking e-mail, but please copy Dave Kostreva on any communications that are necessary in the interim, so that we can be sure to get back to you promptly. Dave will be providing the supporting documentation.

Thanks for your assistance. We look forward to bringing this matter to a conclusion.

Jeff

Jeff Little
Associate General Counsel
Safe Auto Insurance Company
Jeffrey.Little@safeauto.com
614.944.7057 (Direct)
614.406.8764 (Mobile)

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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/boi>

March 25, 2016

VIA UPS 2nd DAY DELIVERY

Jeffrey Little
Associate General Counsel
Safe Auto Insurance Company
4 Easton Oval
Columbus, Ohio 43219

Re: Market Conduct Examination
Safe Auto Insurance Company (NAIC# 25405)
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Little:

The Bureau of Insurance (Bureau) has reviewed the November 30, 2015 letter and December 17, 2015, January 8 and 11, 2016, March 2, and 7, 2016 e-mail responses to the Revised Market Conduct Report (Report) of Safe Auto Insurance Company (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

New Business Rating and Underwriting Review

(1b) The Bureau acknowledges that the Company has agreed to change its Declarations Page to only list forms that are applicable to the policy in Virginia.

(4b) The violation for RPA011 remains in the Report. The Company made the necessary restitution to the insured on January 6, 2016 to resolve this issue.

The violation for RPA032 remains in the Report. The Company has not provided evidence of the insured disclosing a speeding conviction. Section 38.2-1904 D of the Code of Virginia states insurers may not surcharge a policy without a conviction. The policy file, including the MVR, application, and declarations page, does not show a speeding conviction; therefore, this policy should not have been surcharged.

Renewal Business Rating and Underwriting Review

- (1b) The Bureau acknowledges that the Company has agreed to change its Declarations Page to only list forms that are applicable to the policy in Virginia.
- (3b) The violation for RPA059 remains in the Report. Without making any claim payment, the Company cannot surcharge for the accident. The Company made the necessary restitution to the insured on January 6, 2016 to resolve this issue.

Notice Mailed Prior to 60th Day of Coverage

- (3) These violations remain in the Report. This is not a question of complying with UETA. If the Company mails via the United States Postal Service (USPS) a cancellation notice to an insured, the proof of mailing must comply with § 38.2-2208 A of the Code of Virginia. The proof can be maintained on paper or electronically. The Company physically mailed the notice to the insured via the USPS and the Company did not have valid proof of mail through the postal system. The Company was cited due to the proof of mailing not conforming to the requirements of § 38.2-2208 A to be valid, not because the copies of the proof were maintained electronically. The legislative changes to this statute do not sanction the Company's method reviewed during the examination period for certificate of mailing. However, the statute now provides for Intelligent Mail Barcode Tracing, which the Company currently uses.
- (4) These violations remain in the Report. The Company physically mailed the notice to the lienholder via the USPS. The Company was cited due to the proof of mailing not conforming to the requirements of § 38.2-2208 B of the Code of Virginia, not because the copies of the proof were maintained electronically.

The Company referenced § 38.2-1904(B)(2), but this statute only pertains to rates for fire insurance policies and does not relate to private passenger auto policies or proof of mailing cancellations.

Other Law Violations

After further review, this item has been withdrawn from the Report.

Notice Mailed After the 59th Day of Coverage

The Bureau acknowledges that the Company is working to enable its system to add financial responsibility filings mid-term without cancelling the policy, which would address a majority of the Bureau's concerns on this issue.

- (1) These violations remain in the Report. The Company did not add the requested SR-22 or FR-44 filing to the existing policy.
- (3) After further review, the violation for TPA076 has been withdrawn from the Report.

The Bureau acknowledges that the Company made the requested payments.

- (4) The violations for TPA076 and TPA085 remain in the Report. The telephone recordings previously provided by the Company documented the insureds' requests to add a financial responsibility filing to the existing policy. The recordings also documented the Company stating a system limitation required the policy to be cancelled and then asking if the insured agreed to such procedure. Due to the cancellation being company initiated, it is held to the requirements set forth by the Code of Virginia for cancellation occurring after the 60th day of coverage.
- (5) These violations remain in the Report. The telephone recordings previously provided by the Company did not record the insured requesting cancellation. The recordings only supported that the Company required the policy to be cancelled because the insured requested a financial responsibility filing.
- (6) These violations remain in the Report. The telephone recordings previously provided by the Company did not record the insured requesting cancellation. The recordings only supported that the Company required the policy to be cancelled because the insured requested a financial responsibility filing.

Nonpayment of Premium

- (1) After further review, this item has been withdrawn from the Report. The Report has been renumbered accordingly.
- (2) The Bureau acknowledges that the Company made the requested payments.
- (3) These violations remain in the Report. Legislative action has not sanctioned the methods used by the Company during the examination period for the Certificate of Mailing method. However, the Company is now permitted to use Intelligent Mail Barcode Tracing, which the Company started to use after the work of the examination was completed. The Company should note that it is still required to maintain a copy, on paper or electronically, that includes all of the information required by the statute.
- (4b) These violations remain in the Report. The Company's response refers to review sheet 938621863 for TPA028 that was previously withdrawn on January 9, 2015. A separate violation for TPA028 remains in the Report under review sheet 989575953. A copy of this review sheet is enclosed.

The violations for TPA031, TPA033, TPA037, TPA046 and TPA055 remain in the Report. The Company did not provide the disc or the documentation referenced in its response.

Other Law Violations

After further review, this item has been withdrawn from the Report.

Insured Requested Cancellations

- (1) The Bureau acknowledges that the Company made the requested payments.
- (2) These violations remain in the Report. The Company has not provided any evidence that the insureds contacted the Company to cancel their policies.

Claims Review

- (1) After further review, the violation for CPA034 has been withdrawn from the Report.
- (9d) After further review, the violation for CPA034 has been withdrawn from the Report.
- (13a) After further review, the violations for CPA025, CPA027, CPA045, CPA058 and CPA087 have been withdrawn from the Report.

The violations for CPA029, CPA037, CPA041, CPA050, CPA055, CPA056, CPA064, CPA072, and CPA076 remain in the Report. Section 38.2-510 A of the Code of Virginia prohibits the misrepresentation of the provisions of the insurance policy. The policy states, "We will pay damages for "bodily injury" or "property damage" for which any "insured" becomes legally responsible because of an auto accident." The Company sent a Reservation of Rights Letter when the vehicle operator was not listed on the policy. The Company questioned who was an "insured" under the policy without a reasonable belief to do so and when permissive use had already been confirmed to provide coverage for the claim.

The violation for CPA035 remains in the Report. The Company sent a Reservation of Rights Letter on the day the claim was reported solely because the accident occurred within ten days of the policy effective date.

The violation for CPA082 remains in the Report. The Company sent a Reservation of Rights Letter stating the policy limits may be exceeded before any investigation of the claim was performed.

- (16) These violations remain in the Report. The Company has not provided any further information to support prompt handling of these claims.

Other Law Violations

- (2) The Bureau acknowledges that the Company will add the requested language to its releases.

New Business Policy Issuance Review

- (1) The Bureau acknowledges that the Company has agreed to modify its Declaration Pages to only list the forms that apply to the insured's policy.
- (4) The violation for MPA001 remains in the Report. The Company has not provided any documentation to prove the correct letter was included with the policy. Before the Company submitted this policy for review, the Bureau instructed the Company to ensure the submission correctly reflected the actual policy package sent to the insured. Further, the Company's response did not include a disc with a copy of the Adverse Action Notice.

Renewal Business Policy Issuance Review

- (1) The Bureau acknowledges that the company has agreed to modify its Declaration Pages to only list the forms that apply to the insured's policy.

- (3) After further review, this item has been withdrawn from the Report.

General Statutory Notices Review

- (1-4) The Bureau is awaiting the estimated completion date for the notice revisions.

Complaint Handling Review

The violation for the Complaint Register remains in the Report. The revised Complaint Register does not reflect the total number of complaints.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

- (6 and 7) The Company did not address its corrective actions for items 6 and 7 of the Report.

Terminations

- (3) Although the Company did not provide the disc referenced in its response, the Company subsequently provided the documentation via e-mail.
- (5-10) The Company did not state how it planned to correct the actions cited in these items of the Report.
- (12) The Company did not state how it planned to correct the actions cited in this item of the Report.

Claims

- (1) The underpayment for CPA034 has been removed.
- The underpayment for CPA039 remains in the Report. The insuring agreement states "...we will pay, in accordance with VA. Code Ann. Section 38.2-2201 or Section 46.2-465, medical expense benefits to an "insured" ...". There are provisions in Section 38.2-2201 that allow the Company to pay the provider but only under specific conditions. The Company does not have a valid assignment of benefits that complies with § 38.2-2201 B and D of the Code of Virginia and should make restitution to the insured.
- The Company has not made restitution on CPA044 and did not address this restitution in its response.
- The Bureau will await the Company's update regarding contact with the insured on CPA058.
- The Company provided a copy of the check paid to one claimant for CPA072 without documentation to support the amount paid or the inclusion of the six percent interest. Further, the Company did not provide documentation of the rental invoices for either claimant.

The Company has not provided documentation of the \$4,000 payment to the insured for CPA077. The Company previously provided a screen print that reflected an amount of \$4,000, but it did not indicate the payee, check number or date of the check payment.

- (5-12) The Company did not address its corrective actions for items 5 through 12 of the Report.

Policy Issuance

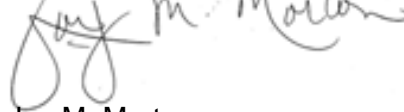
- (4) The Company did not address its corrective actions for this item of the Report.

Licensing and Appointments

The Company did not address its corrective actions for this item of the Report.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by April 15, 2016.

Sincerely,



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

Enclosures



4 Easton Oval
Columbus, OH 43219
1-800-SAFEAUTO
(1-800-723-3288)

April 21, 2016

VIA EMAIL ONLY

Ms. Joy Morton
BOI Manager
Market Conduct Section
Property & Casualty Division
VIRGINIA BUREAU OF INSURANCE
P.O. BOX 1157
Richmond, Virginia 23218

**Re: Safe Auto Insurance Company Market Conduct Examination (No.: VA097-M13)
Exam Period (April 1, 2013 – March 31, 2014)**

Dear Ms. Morton:

Safe Auto Insurance Company acknowledges receipt of the Department's correspondence of March 25, 2016. We have reviewed your comments regarding the outstanding issues which the BOI finds with our responses and Corrective Action Plan. SafeAuto provides the following responses and incorporates certain documentation by reference and attached to this correspondence, and also follows the format of the Report:

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting

(6 and 7)

SafeAuto is applying accident & conviction points to the vehicle customarily operated by the driver who occurred the points, and SafeAuto is using rules and rates on file with the Bureau.

Claims

(1)

- On CPA039, we issued payment directly to the insured, [REDACTED], in the amount of \$1,283.06, see attached copy of check and check information.

- On CPA044, we made restitution on this claim and are providing proof of payment in the attached document.

- CPA058, we are actively monitoring this file for additional communication and supporting documentation of this claim.

- On CPA072, we have provided the Bureau with a copy of the rental invoices in our prior response, and provide the same again in the attached document. Further, we are providing the Bureau with a copy of the check, in the amount of \$22.69, paid in restitution. The pre-interest amount owed in restitution was \$21.10. The paid amount includes approximately 6% interest.

- On CPA077, we issued Check number [REDACTED], made payable to [REDACTED], in the amount of \$4,000.00 on August 26, 2014, see attached copy of this check.

(5) – (12)

- We have reviewed these actions with our Claims Department and we are committed to complying with these actions and all related VA laws.

Policy Issuance

(4)

- We have reviewed this finding and our system process for providing credit adverse action notices on new business policies. We are able to send these notices and will comply with VA law in sending these notices.

Licensing and Appointments

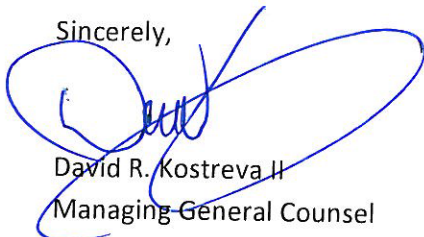
- We have reviewed this finding with our Licensing department and we are appointing agents within 30 days of their application.

RESTITUTION SPREADSHEET

We are providing an updated and annotated version of the Department's Restitution Spreadsheet as part of this response.

We acknowledge the Department's assistance in the course of the examination.

Sincerely,



David R. Kostreva II
Managing General Counsel

Andrea Baytop

From: David Kostreva [mailto:David.Kostreva@safeauto.com]
Sent: Wednesday, May 04, 2016 10:08 AM
To: Joy Morton; Jeffrey Little
Cc: Andrea Baytop
Subject: RE: Safe Auto Market Conduct Examination

Joy,

Please find the revised SAIC response attached.

Respectfully,

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Joy Morton [mailto:Joy.Morton@scc.virginia.gov]
Sent: Wednesday, May 04, 2016 8:46 AM
To: David Kostreva <David.Kostreva@safeauto.com>; Jeffrey Little <Jeffrey.Little@safeauto.com>
Cc: Andrea Baytop <Andrea.Baytop@scc.virginia.gov>
Subject: RE: Safe Auto Market Conduct Examination

David: _____

I would like to request one more revision to your letter, so that we can close this examination. Would you please amend the Corrective Action Plan for items 6-7 for Rating and Underwriting, items 5-12 for Claims, item 4 for Policy Issuance and the Licensing and Appointments corrective action to include the word "now".

As your response is currently written it infers that these items were not a problem , "that you are doing these" not that a corrective measure has been put in place and you are now in compliance.

Joy Morton, MCM
BOI - Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Monday, May 02, 2016 4:22 PM
To: Joy Morton; Jeffrey Little
Cc: Andrea Baytop
Subject: RE: Safe Auto Market Conduct Examination

Joy,

Please find attached a revised version of SAIC's response to the BOI's letter dated 3.25.2016 and copies of rental invoices related to CPA072.

In regards to CPA058, there is no still change in status of this claim, as described in SafeAuto's response dated 4/21/2016. This claimant does not appear to be willing to respond and provide SafeAuto with necessary claim information to proceed with any claim payment.

Respectfully,

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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From: Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]
Sent: Monday, May 02, 2016 3:11 PM
To: David Kostreva <David.Kostreva@safeauto.com>
Cc: Andrea Baytop <Andrea.Baytop@scc.virginia.gov>
Subject: FW: Safe Auto Market Conduct Examination

David:

In your response you have indicated that you included copies of rental invoices , these invoices are not included in this response (I am including your complete response with this email).

In the claims Corrective Action Plan you have included both insured's and claimant's names. We have asked that you not include this information in the correspondence as this becomes a part of the published documents.

Please advise if you have any had any success in finalizing CPA058.

Joy Morton, MCM
BOI - Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: David Kostreva [<mailto:David.Kostreva@safeauto.com>]
Sent: Thursday, April 21, 2016 5:53 PM
To: Joy Morton
Cc: Jeffrey Little
Subject: RE: Safe Auto Market Conduct Examination

Joy,

Please find attached SafeAuto's response to your March 25, 2016 letter, and supporting documentation (copies of Claim restitution payment checks).

Thank you again for this short extension of time. Please let me know if you have further questions and if this response is now sufficient.

Respectfully,

David

David R. Kostreva II, Esq.
Managing Counsel
Office of the General Counsel
Phone: 614-944-7036
Fax: 614-456-2998



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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
www.scc.virginia.gov/boi

May 10, 2016

VIA UPS 2nd DAY DELIVERY

Jeffrey A. Little
Associate General Counsel
Safe Auto Insurance Company
4 Easton Oval
Columbus, OH 43219-6010

RE: Market Conduct Examination
Safe Auto Insurance Company NAIC # (25405)
Exam Period: April 1, 2013 - March 31, 2014

Dear Mr. Little:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of April 21, 2016. Based upon the Bureau's review of the company's April 21, 2016 letter and emails of May 3, 2016 and May 4, 2016, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Safe Auto Insurance Company (Report).

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:

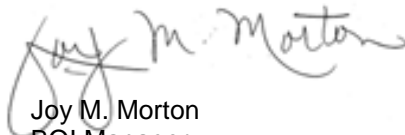
Sections 38.2-228, 38.2-305 A, 38.2-310, 38.2-502, 38.2-510 A 1, 38.2-510 A 6, 38.2-510 A 10, 38.2-511, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2234 A 1 and 38.2-2234 A 2 of the Code of Virginia; as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, 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.

Mr. Little
May 10, 2016
Page 2

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

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large initial "J" and "M".

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

Enclosure



Executive Offices

Safe Auto Insurance Company

4 Easton Oval
Columbus, OH 43219-6010
Tel.: (614) 231-0200
www.safeauto.com

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



380472 - Invoice #
400123

RE: Market Conduct Examination
Safe Auto Insurance Company (NAIC# 25405)
Examination Period: April 1, 2013 – March 31, 2014

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter May 13, 2016, concerning the above referenced matter.

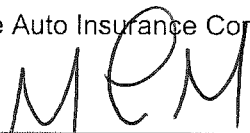
We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of 38.2-228, 38.2-305 A, 38.2-310, 38.2-502, 38.2-510 A 1, 38.2-510 A 6, 38.2-510 A 10, 38.2-511, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2234 A 1 and 38.2-2234 A 2 of the Code of Virginia; as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, 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 \$51,100.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of April 15, 2015, September 23, 2015, November 30, 2015 and May 4, 2016.
3. We confirm that restitution was made to 54 consumers for \$11,922.96 in accordance with the company's letters of April 15, 2015, September 23, 2015, November 30, 2015 and May 4, 2016.
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.

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,

Safe Auto Insurance Company



(Signed)

MARK LEMASTER

(Type or Print Name)

EXECUTIVE V.P. + GENERAL COUNSEL

(Title)

May 19, 2016

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 2, 2016

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2016 JUN -2 P 3: 46

150510172

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2016-00149

SAFE AUTO INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Safe Auto Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated § 38.2-228 of the Code of Virginia ("Code") by failing to file proof of financial responsibility with the Department of Motor Vehicles without unreasonable delay; violated § 38.2-305 A of the Code by failing to provide the information required by the statute in the insurance policy; violated § 38.2-310 of the Code by failing to provide a list of all applicable fees to insureds in writing; violated § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of insurance policies; violated § 38.2-511 of the Code by failing to maintain a complete complaint register; violated § 38.2-1833 of the Code by paying commissions to agencies or agents that are not appointed by the Defendant; violated § 38.2-1905 C of the Code assigning points under a safe-driver insurance policy to a 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 §§ 38.2-2202 A and 38.2-2202 B of the Code by failing to accurately

provide the required notices to insureds; 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 insurance policies; violated §§ 38.2-2234 A (1) and 38.2-2234 A (2) of the Code by failing to provide credit score disclosure notices; and violated §§ 38.2-510 A (1), 38.2-510 A (6), and 38.2-510 A (10) of the Code, as well as 14 VAC 5-400-30, 14 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 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 Virginia the sum of Fifty-one Thousand One Hundred Dollars (\$51,100), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letters to the Bureau dated April 15, 2015, September 23, 2015, November 30, 2015, and May 4, 2016, and has confirmed that restitution was made to 54 consumers in the amount of Eleven Thousand Nine Hundred Twenty-two Dollars and Ninety-six Cents (\$11,922.96).

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: Jeffrey Little, Associate General Counsel, Safe Auto Insurance Company, 4 Easton Oval, Columbus, Ohio 43219; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.

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**

Safe Auto Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$51,100.00 by its check numbered 0002042079 and dated May 18, 2016, a copy of which is located in the Bureau's files.