

MARKET CONDUCT EXAMINATION REPORT

OF

**PROGRESSIVE ADVANCED INSURANCE COMPANY
PROGRESSIVE DIRECT INSURANCE COMPANY
PROGRESSIVE GULF INSURANCE COMPANY
PROGRESSIVE NORTHERN INSURANCE COMPANY
PROGRESSIVE UNIVERSAL INSURANCE COMPANY**

AS OF

March 31, 2016

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

**Property and Casualty Division
Market Conduct Section**

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COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Gloria Warriner, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company, and Progressive Universal Insurance Company as of March 31, 2016, conducted at the companies' office in Cleveland (Mayfield Village), Ohio is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' 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-2019-00118 finalizing this Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of this the Bureau
at the City of Richmond, Virginia,
this 9th of October 2019.

Gloria Warriner
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 passage automobile, motorcycle and commercial automobile lines of business written by Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company, and Progressive Universal Insurance Company at their office in Cleveland (Mayfield Village), Ohio.

The examination commenced September 12, 2016 and concluded June 21, 2017. Brandon L. Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on February 22, 2017 and was assigned the Action Number of VA097-8. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILES *

The Progressive Group of Insurance Companies is one of the country's largest auto insurance groups, the largest seller of motorcycle policies, and a market leader in commercial auto insurance based on premiums written.

Progressive Advanced Insurance Company was incorporated on June 5, 1930 and commenced business on August 26, 1930 under the name Memphis Fire Insurance Company. On February 9, 1989, the company became known as Midland Risk Insurance Company. On March 7, 1997, all outstanding shares were acquired by the Progressive Corporation (PGR) and the company changed its name to Progressive Home Insurance Company on September 27, 1999. The company was redomesticated to Ohio in 2001. On January 1, 2004, ownership was transferred from PGR to Progressive Direct Holdings Inc. (PDH), incorporated in Delaware. On October 6, 2009, the Company merged with its parent Midland Financial Group, Inc., a holding company incorporated in Ohio. There are 5,000,000 authorized common shares and 60,000 authorized preferred shares with a par value of \$100 per share.

Progressive Direct Insurance Company was incorporated on September 29, 1986 and began operations on January 14, 1987. On March 15, 2006, the company changed its name to Progressive Direct Insurance Company. On December 8, 2009, the Company merged with Progressive Motor Insurance Company. All previously issued and outstanding common shares of Motor were cancelled. Capital common stock of \$3,000,480 consists of 532 common shares at a par value of \$5,640 per share.

Progressive Gulf Insurance Company was incorporated April 20, 1982 and began business January 1, 1983. The company was redomesticated to Ohio effective August 17, 2004. Capital common stock of \$1,500,000 consists of 150 shares at \$10,000 par

* Source: Best's Insurance Reports, Property & Casualty, 2015 Edition.

value each.

Progressive Northern Insurance Company was incorporated on August 19, 1980 and began business March 8, 1981. Capital common stock of \$3,008,000 consists of 128 common shares at \$23,500 par value each. The company has 300 authorized common shares. On December 15, 2009, the Company merged with Progressive Northeastern Insurance Company.

Progressive Universal Insurance Company was incorporated on September 13, 1992 and commenced business on July 8, 1993. The company was redomesticated from Illinois to Ohio in 2003 and from Ohio to Wisconsin in 2004. Effective December 21, 2004, the company name was changed to Progressive Universal Insurance Company. Capital common stock of \$2,502,500 consists of 715 shares at a par value of \$3,500 per share. All authorized shares are outstanding.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date that the companies were licensed in Virginia except as noted in the table.

GROUP CODE: 0155	PAIC	PDIC	PGIC	PNIC	PUIC
NAIC Company Number	11851	16322	42412	38628	21727
LICENSED IN VIRGINIA	10/16/2007	02/12/1991	02/20/1991	04/11/1994	10/22/2003
LINES OF INSURANCE					
Accident and Sickness					
Aircraft Liability					
Aircraft Physical Damage					
Animal	X	09/11/2007	08/28/2007	08/28/2007	08/28/2007
Automobile Liability	X	X	X	X	X
Automobile Physical Damage	X	X	X	X	X
Boiler and Machinery		X	X		
Burglary and Theft	X	X	X		X
Commercial Multi-Peril Credit		X	X		
Farmowners Multi-Peril Fidelity			X		
Fire	X	X	X		X
General Liability	X	X	X	03/18/1997	X
Glass	X	X	X		X
Homeowners Multi-Peril	X	X	X		
Inland Marine	X	X	X	03/18/1997	X
Legal Services		X	X		
Miscellaneous Property	X	X	X		X
Ocean Marine	X	X	X		X
Surety			X		
Water Damage					
Workers' Compensation					

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2016 for those lines of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Progressive Advanced Insurance Company		
Private Automobile Liability	\$126,965,766	4.43%
Private Automobile Physical Damage	\$73,029,509	3.28%
Progressive Direct Insurance Company		
Private Automobile Liability	\$18,998,509	.66%
Private Automobile Physical Damage	\$16,369,372	.74%
Progressive Gulf Insurance Company		
Private Automobile Liability	\$104,781,436	3.66%
Private Automobile Physical Damage	\$57,623,326	2.59%
Progressive Northern Insurance Company		
Commercial Automobile Liability	\$41,993,551	8.69%
Commercial Automobile Physical Damage	\$13,450,159	8.46%
Progressive Universal Insurance Company		
Private Automobile Liability	\$10,163,230	.35%
Private Automobile Physical Damage	\$11,918,022	.54%

* Source: The 2016 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 companies' private passenger automobile, motorcycle, and commercial automobile lines of business written in Virginia for the period beginning April 1, 2015 and ending March 31, 2016. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent's 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 companies' 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 companies 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 companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

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

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

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

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. 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.

**Population
Sample Requested**

AREA	<u>PAIC</u> 11851	<u>PDIC</u> 16322	<u>PGIC</u> 42412	<u>PNIC</u> 38628	<u>PUIC</u> 21727	TOTAL	<u>FILES</u> <u>REVIEWED</u>	<u>FILES NOT</u> <u>FOUND</u>	<u>FILES WITH</u> <u>ERRORS</u>	<u>ERROR</u> <u>RATIO</u>
<u>Private Passenger Auto</u>										
New Business	<u>63865</u>	<u>0</u>	<u>28271</u>	<u>0</u>	<u>0</u>	<u>92136</u>	45	0	45	100%
	25	0	20	0	0	45				
Renewal Business	<u>204789</u>	<u>51869</u>	<u>116563</u>	<u>0</u>	<u>9852</u>	<u>383073</u>	74	0	74	100%
	25	15	24	0	10	74				
Co-Initiated Cancellations ¹	<u>2571</u>	<u>81</u>	<u>1379</u>	<u>0</u>	<u>9</u>	<u>4040</u>	25	0	19	76%
	16	2	8	0	1	27				
All Other Cancellations ²	<u>36632</u>	<u>3482</u>	<u>21381</u>	<u>0</u>	<u>574</u>	<u>62069</u>	29	0	8	28%
	15	5	7	0	2	29				
Nonrenewals	<u>972</u>	<u>111</u>	<u>653</u>	<u>0</u>	<u>22</u>	<u>1758</u>	16	0	6	38%
	5	5	5	0	1	16				
Rejected Applications	<u>364</u>	<u>8</u>	<u>44</u>	<u>0</u>	<u>0</u>	<u>416</u>	3	0	3	100%
	1	1	1	0	0	3				
<u>Motorcycle</u>										
New Business	<u>0</u>	<u>0</u>	<u>3516</u>	<u>0</u>	<u>10084</u>	<u>13600</u>	20	0	20	100%
	0	0	10	0	10	20				
Renewal Business	<u>0</u>	<u>0</u>	<u>22670</u>	<u>0</u>	<u>27643</u>	<u>50313</u>	30	0	30	100%
	0	0	15	0	15	30				
Co-Initiated Cancellations ³	<u>0</u>	<u>0</u>	<u>20</u>	<u>0</u>	<u>57</u>	<u>77</u>	11	0	2	18%
	0	0	6	0	6	12				
All Other Cancellations	<u>0</u>	<u>0</u>	<u>3427</u>	<u>0</u>	<u>6888</u>	<u>10315</u>	11	0	5	45%
	0	0	6	0	5	11				
Nonrenewals	<u>0</u>	<u>0</u>	<u>41</u>	<u>0</u>	<u>77</u>	<u>118</u>	6	0	0	0%
	0	0	3	0	3	6				
Rejected Applications	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>7</u>	<u>13</u>	2	0	2	100%
	0	0	1	0	1	2				
<u>Commercial Auto</u>										
New Business ⁴	<u>0</u>	<u>0</u>	<u>0</u>	<u>5745</u>	<u>0</u>	<u>5745</u>	24	0	24	100%
	0	0	0	25	0	25				
Renewal Business ⁵	<u>0</u>	<u>0</u>	<u>0</u>	<u>9078</u>	<u>0</u>	<u>9078</u>	19	0	19	100%
	0	0	0	25	0	25				
Cancellations ⁶	<u>0</u>	<u>0</u>	<u>0</u>	<u>3323</u>	<u>0</u>	<u>3323</u>	10	0	5	50%
	0	0	0	11	0	11				
<u>Claims</u>										
Auto PPA	<u>38755</u>	<u>8341</u>	<u>26841</u>	<u>0</u>	<u>1605</u>	<u>75542</u>	145	0	58	40%
	51	28	34	0	32	145				
Commerical ⁷	<u>0</u>	<u>0</u>	<u>0</u>	<u>2126</u>	<u>0</u>	<u>2126</u>	22	0	8	36%
	0	0	0	23	0	23				
Motorcycle ⁸	<u>0</u>	<u>0</u>	<u>449</u>	<u>0</u>	<u>1054</u>	<u>1503</u>	57	0	34	60%
	0	0	16	0	43	59				

Footnote 1 - One policy was not reviewed and one policy was moved to the All Other Cancellations category.
 Footnote 2 - One policy was moved from the Co- Initiated Cancellation category and one policy was not reviewed.
 Footnote 3 - One policy was not reviewed, this policy was a nonpayment.
 Footnote 4 - One policy was not reviewed.
 Footnote 5 - Six policies were not reviewed.
 Footnote 6 - One policy was not reviewed due to the date of expiration.
 Footnote 7 - One claim was invalid due to litigation.
 Footnote 8 - Two claims were not Virginia policies and not reviewed.
 Footnote 9 - One claim was withdrawn by the insured and not reviewed.

PART ONE – THE EXAMINERS’ OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 45 new business policy files. During this review, the examiners found overcharges totaling \$1,293 and undercharges totaling \$317. The net amount that should be refunded to insureds is \$1,293 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 in the insurance policy all of the information required by this statute. The company listed forms in the policy’s list of applicable endorsements that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company was unable to provide the policy for review.
- (3) The examiners found 11 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In three instances, the company failed to provide evidence of fault for an accident and/or a conviction for a moving violation to support the surcharge applied.
 - b. In six instances, the company failed to use the correct tier eligibility criteria.
 - c. In one instance, the company failed to use the correct base and/or final

rates.

- d. In three instances, the company rated the policies without valid credit information.

Automobile Renewal Business Policies

The Bureau reviewed 74 renewal business policy files. During this review, the examiners found overcharges totaling \$2,860 and undercharges totaling \$148. The net amount that should be refunded to insureds is \$2,860 plus six percent (6%) simple interest.

- (1) The examiners found 74 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.
- (2) The examiners found 28 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use rules and/or rates on file with the Bureau.
 - a. In one instance, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to provide evidence of fault for an accident and/or a conviction for a moving violation to support the surcharge applied.
 - c. In 17 instances, the company failed to use the correct symbol.
 - d. In two instances, the company failed to use the correct driver classification factor.
 - e. In seven instances, the company failed to use the correct base and/or final rates.

Motorcycle New Business Policies

The Bureau reviewed 20 new business policy files. During this review, the examiners found overcharges totaling \$4,055 and undercharges totaling \$245. The net amount that should be refunded to insureds is \$4,055 plus six percent (6%) simple interest.

- (1) The examiners found 17 violations of § 38.2-305 A of the Code of Virginia. The company listed forms on the declarations page that were not applicable to the policy. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.
- (2) The examiners found five violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination.
 - a. In two instances, the company failed to provide the complete policy file.
 - b. In three instances, the company failed to provide a copy of the new business application.
- (3) The examiners found one violation of § 38.2-1905 A of the Code of Virginia. The company charged points under a safe driver insurance plan without first ascertaining that the named insured, resident relative, or other customary operator was wholly or partially at fault.
- (4) The examiners found 44 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use rules and/or rates on file with the Bureau.
 - a. In 23 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In five instances, the company failed to use the correct symbol.
 - c. In two instances, the company failed to use the correct base and/or final

rates.

- d. In 14 instances, the company rated the policies without valid credit information.

Motorcycle Renewal Business Policies

The Bureau reviewed 30 renewal business policy files. During this review, the examiners found overcharges totaling \$1,678 and undercharges totaling \$27. The net amount that should be refunded to insureds is \$1,678 plus six percent (6%) simple interest.

- (1) The examiners found 30 violations of § 38.2-305 A of the Code of Virginia. The company listed forms on the declarations page that were not applicable to the policy. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.
- (2) The examiners found 43 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use rules and/or rates on file with the Bureau.
 - a. In 13 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In three instances, the company failed to use the correct symbol.
 - c. In one instance, the company failed to use the correct base and/or final rates.
 - d. In 26 instances, the company rated the policies without valid credit information.

Commercial Automobile New Business Policies

The Bureau reviewed 24 new business policy files. During this review, the examiners found overcharges totaling \$4,065 and undercharges totaling \$8. The net amount that should be refunded to insureds is \$4,065 plus six percent (6%) simple interest.

- (1) The examiners found 24 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information prior to using the rates.
- (2) The examiners found 26 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use rules and/or rates on file with the Bureau.
 - a. In one instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to use the correct base and/or final rates.
 - c. In 24 instances, the company used an incorrect vehicle classification.
- (3) The examiners found one violation of § 38.2-2206 of the Code of Virginia. The company failed to provide uninsured motorist (UM) limits equal to the liability limits of the policy and did not obtain a written rejection of the higher limits.

Commercial Automobile Renewal Business Policies

The Bureau reviewed 19 renewal business policy files. During this review, the examiners found overcharges totaling \$3,676 and no undercharges. The net amount that should be refunded to insureds is \$3,676 plus six percent (6%) simple interest.

- (1) The examiners found 18 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information prior to using the rates.
- (2) The examiners found 21 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use rules and/or rates on file with the Bureau.
 - a. In one instance, the company failed to use the correct base and/or final rates.
 - b. In one instance, the company failed to follow the filed rules when rating the

policy.

- c. In 19 instances, the company used an incorrect vehicle classification.

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 15 private passenger 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 no overcharges and no undercharges.

- (1) The examiners found ten violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of cancellation to the insured.
- (2) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In one instance, the company failed to provide at least ten days' advance notice of cancellation to the insured.
 - b. In three instances, the company failed to provide at least ten days' advance notice of cancellation to the lienholder.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed ten private passenger automobile cancellations that were initiated by the companies where the notice was mailed on or after the 60th day of coverage in the initial policy period. During this review, the examiners found no overcharges and

no undercharges.

- (1) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to obtain proof of mailing the notice of cancellation to the lienholder.
- (2) The examiners found five violations of § 38.2-2212 D of the Code of Virginia.
 - a. In four instances, the company cancelled the policy for a reason not permitted by the statute.
 - b. In one instance, the company cancelled the policy for a suspension/revocation that did not occur in the time frame allowed by the statute.
- (3) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to state a specific reason in the cancellation notice.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 19 private passenger automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review the examiners found no overcharges and no undercharges.

- (1) The examiners found three violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of cancellation to the insured.
- (2) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain a copy of the notice of cancellation to the lienholder.

REQUESTED BY THE INSURED

The Bureau reviewed 11 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 no overcharges and no undercharges.

The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to retain evidence of the insured's request for cancellation of the policy.

Rejected Applications – Automobile Policies

The Bureau reviewed three automobile insurance applications for which the companies declined to issue a policy.

The examiners found three violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide the rejected application information.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed 16 automobile non-renewals that were initiated by the companies.

The examiners found six violations of § 38.2-2208 B of the Code of Virginia. The company failed to retain a copy of the notice of nonrenewal sent to the lienholder.

Company-Initiated Cancellations – Motorcycle Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed 11 motorcycle 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 no overcharges and no undercharges.

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

- (2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company mailed the notice to an address other than the address shown in the policy.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The companies reported that they had no motorcycle cancellations after the 59th day of coverage during the examination period.

The examiners found no violations in this area.

All Other Cancellations – Motorcycle Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed six motorcycle cancellations that were initiated by the companies for nonpayment of the policy premium. During this review the examiners found no overcharges and no undercharges.

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 notice of cancellation to the insured.

REQUESTED BY THE INSURED

The Bureau reviewed five motorcycle cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to retain evidence of the insured's request for cancellation of the policy.

Rejected Applications – Motorcycle Policies

The examiners found two violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide the rejected application information.

Company-Initiated Non-renewals – Motorcycle Policies

The Bureau reviewed six automobile non-renewals that were initiated by the companies.

The examiners found no violations in this area.

Commercial Automobile Policies

The examiners reviewed ten commercial automobile cancellations. During this review, the examiners found overcharges totaling \$14.10 and no undercharges. The net amount that should be refunded to insureds is \$14.10 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-231 A of the Code of Virginia. The company failed to send a cancellation notice to the insured.
- (2) The examiners found four violations of § 38.2-231 F of the Code of Virginia.
 - a. In one instance, the company failed to obtain valid proof of mailing the notice of cancellation to the insured.
 - b. In three instances, the company failed to retain a copy of the cancellation notice sent to the lienholder for one year from the effective date of the cancellation.
- (3) 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.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 148 automobile claims for the period of April 1, 2015 through March 31, 2016. 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 \$12.01 and underpayments totaling \$5,671.96. The net amount that should be paid to claimants is \$5,671.96 plus six percent (6%) simple interest.

- (1) The examiners found 21 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 15 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In two 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.
 - b. In seven 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.
 - c. In six 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) when the file indicated the coverage applied to the loss.

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

- (3) The examiners found three violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.
- (4) The examiners found three 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.
- (5) The examiners found 25 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 one instance, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
 - b. In two instances, the company failed to pay the insured's rental benefits, available under the UMPD coverage and/or UIM coverage.
 - c. In 12 instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
 - d. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.

- e. In six 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.

- (6) The examiners found two 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. The company failed to provide a copy of the repair estimate to the insured.
- (7) The examiners found one violation of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.
- (8) The examiners found three 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.
- (9) The examiners found five 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.
 - a. In one instance, the company unreasonably delayed payment of the insured's claim.
 - b. In four instances, the failed to pay the claimants collision damage waiver (CDW).
- (10) The examiners found one violation of § 38.2-510 A 13 of the Code of Virginia. The company failed to settle a claim where liability was reasonably clear under one

coverage of the insurance policy in order to influence a settlement under another coverage of the policy.

- (11) The examiners found one violation of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- (12) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company set unreasonable and/or arbitrary limits on what it would allow for reimbursement of paint and materials to repair a vehicle.
- (13) The examiners found 14 violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured advising the company to make payments directly to the medical provider.

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

- (14) The examiners found five violations of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (15) The examiners found five 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 check.
 - b. In one instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
 - c. In two instances, the company paid the entire physical damage claim under the excess UMPD coverage when the primary Collision Coverage was

available.

- d. In one instance, the company issued payment under the incorrect coverage.

Other Law Violations

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

The examiners found three 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.

MOTORCYCLE CLAIMS

The examiners reviewed 57 motorcycle claims for the period of April 1, 2015 through March 31, 2016. 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 \$2,045.96 and no underpayments.

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

- a. In four 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.
- b. In six instances, the company failed to accurately inform an insured of his rental benefits under his UMPD coverage when the file indicated the coverage was applicable to the loss.

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

- (3) The examiners found one violation 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.
- (4) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (5) The examiners found nine 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. The company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

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

- (6) The examiners found one violation 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.

- (7) The examiners found six violations of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.

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

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

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

- (9) The examiners found 13 violations of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.

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

- (10) The examiners found six 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 check.
- b. In four instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
- c. In one instance, the company issued payments under the incorrect coverage.

Other Law Violations

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

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim documents.

Commercial Automobile Claims

The examiners reviewed 22 commercial automobile claims for the period of April 1, 2015 through March 31, 2016. 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 \$14,222.59 and underpayments totaling \$895.96. The net amount that should be paid to claimants is \$895.96 plus six percent (6%) simple interest.

- (1) The examiners found three violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In one instance, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
 - b. In two 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) when the file indicated the coverage applied to the loss.

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

- (2) 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.

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

- (3) The examiners found eight 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 one instance, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverages applied to the claim.
- b. In one instance, the company failed to pay the insured's rental benefits, available under the UMPD coverage.
- c. In five instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
- d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.

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

- (4) The examiners found one violation 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.
- (5) The examiners found three 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.
- a. In two instances, the company failed to promptly reimburse the insured under his Medical Expense Benefits coverage.
 - b. In one instance, 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.

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

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

- (7) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of his policy.

FORMS REVIEW

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance

with Virginia insurance statutes and regulations.

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

Private Passenger Automobile Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 234 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found 20 violations of § 38.2-2220 of the Code of Virginia.

- a. In four instances, the company failed to use a standard form in the precise language filed and adopted by the Bureau.
- b. In 16 instances, the company failed to have available for use standard automobile forms filed and adopted by the Bureau.

POLICY FORMS CURRENTLY USED BY THE COMPANIES

The examiners found no additional forms to review.

Motorcycle Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

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

- a. In two instances, the company failed to use a standard form in the precise language filed and adopted by the Bureau.

- b. In eight instances, the company failed to have available for use standard automobile forms filed and adopted by the Bureau.

POLICY FORMS CURRENTLY USED BY THE COMPANIES

The examiners found no additional forms to review.

Commercial Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 31 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 BY THE COMPANIES

The examiners found no additional forms to review.

POLICY ISSUANCE PROCESS REVIEW

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

For this review, the examiners verified that the companies 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 PoliciesNEW BUSINESS POLICIES

The company provided six new business policies sent on the following dates: May 6, 9, and 10, 2016. In addition, the company provided 12 renewal business policies sent on the following dates: May 6, 9, and 11, 2016.

The examiners found six violations of § 38.2-305 A of the Code of Virginia. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.

RENEWAL BUSINESS POLICIES

The examiners found two violations of § 38.2-305 A of the Code of Virginia. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.

Motorcycle Policies

The company provided two new business policies sent on the following date: May 7, 2016. In addition, the company provided two renewal business policies sent on the following date: May 6, 2016.

NEW BUSINESS POLICIES

The examiners found two violations of § 38.2-305 A of the Code of Virginia. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.

RENEWAL BUSINESS POLICIES

- (1) The examiners found two violations of § 38.2-305 A of the Code of Virginia. The company listed forms in the policy's list of applicable endorsements that were not applicable to the policy.
- (2) The examiners found two violations of § 38.2-305 B of the Code of Virginia. The

company failed to provide the Important Information to Policyholders notice.

Commercial Automobile Policies

The company provided three new business policies sent on the following dates: April 20 and 21, 2016. In addition, the company provided three renewal business policies sent on the following dates: April 21 and 22, 2016.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

Statutory Notices Review

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

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the companies. 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 companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

- (1) The examiners found five violations of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not include all of the information required by the statute.
- (2) The examiners found 15 violations of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute.

Statutory Vehicle Notices

The examiners found two violations of § 38.2-231 C of the Code of Virginia. The company's Reduction of Coverage notice did not include all of the information required by the statute.

Other Notices

The companies provided copies of 16 other notices including applications that were used during the examination period.

- (1) The examiners found one violation of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not include all of the information required by the statute.
- (2) The examiners found three violations of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute.
- (3) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The company failed to provide the Important Notice in the precise language as required by the Code of Virginia.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business private passenger automobile, motorcycle, and commercial automobile policies to verify that the agent of record for those policies

reviewed was licensed and appointed to write business for the companies as required by Virginia insurance statutes. In addition, the agent or agency to which each 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.

Agency Review

The examiners found five 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.

Agent Review

- (1) The examiners found five violations of § 38.2-1809 B of the Code of Virginia. The company failed to retain records relative to insurance transactions for three prior years.
- (2) The examiners found one violation of § 38.2-1822 of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in Virginia.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' 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 register in compliance with the statute.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the companies' Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The companies provided their Information Security Procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims 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

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to this Report.

Rating and Underwriting Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal 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

companies acknowledge that they have refunded or credited the overcharges listed in the file.

- (4) Specify accurate information in the policy by showing only the forms applicable to the policy on the declarations page.
- (5) Provide convenient access to files, documents, and records relating to the examination.
- (6) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, accurate assignment of points for accidents and convictions, symbols, tier eligibility, driver classification factors, vehicle classification, accurate base and/or final rates, and credit score information.
- (7) Obtain a written rejection of higher limits when the policy is issued with UM limits lower than the Liability limits.
- (8) Determine if the driver was wholly or partially at-fault for causing the accident when surcharging the policy.
- (9) File all rates and supplementary rate information prior to using the rates.

Termination Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal 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 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 companies acknowledge they have refunded or credited the overcharges listed in the file.
- (4) Obtain valid proof of mailing cancellation notices to the insureds and lienholders.
- (5) Retain a copy of the cancellation notice sent to lienholders.
- (6) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by the statute.
- (7) Cancel private passenger automobile policies for suspension or revocation only during the time period permitted by the statute.
- (8) Provide convenient access to files, documents, and records relating to the examination.
- (9) Provide the specific reason in the cancellation notice.

Claims Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal 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 companies acknowledge that they have paid the underpayments listed in the file.
- (4) 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 rental benefits under UMPD, Transportation Expenses coverage and Medical Expense Benefits coverage.
- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.
- (7) Notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (8) Adopt and implement reasonable standards for the prompt, fair, and equitable settlement of a claim in which liability and/or coverage is reasonably clear. Significant attention should be given to the timely evaluation and payment of Medical Expense Benefits when documentation clearly indicates that payment is in order.
- (9) Disclose the required aftermarket parts notice to the vehicle owner on the estimate of repair or in a separate document.
- (10) Obtain a written authorization from an insured prior to making payments directly to the medical provider.
- (11) Conduct an internal audit of the Medical Expense Benefits claims where the provider was paid directly without a valid assignment of benefits and make restitution to the insured where applicable. The company should then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. This spreadsheet should be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

NOTE: The Company agrees that the restitution identified during the review of the Medical

Expense Benefits claims and the subsequent audit will be handled as a separate Regulatory action; however, the violations associated with this action will remain in the Report. The Company will Cease and Desist from all practices which constitute violations of § 38.2-2201 of the Code of Virginia.

Forms Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

- (1) Use the precise language of the standard automobile forms as filed and adopted by the Bureau.
- (2) Have available for use standard automobile forms as adopted by the Bureau.

Policy Issuance Process Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

Specify accurate information in the policy by showing only the applicable forms in the policy.

Statutory Notices Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

- (1) Include all information required by the statute in the Reduction of Coverage notice.

- (2) Include all information required by the statute in the long form Notice of Information Collection and Disclosure Practices.
- (3) Include all information required by the statute in the AUD notice.
- (4) Use the precise language of the Important Information Notice as required by the statute.

Licensing and Appointment Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

- (1) Only permit a person to act in the capacity of an agent who is licensed in Virginia.
- (2) Appoint agents within 30 days of the date of application.
- (3) Retain records relative to insurance transactions for three prior years.

Complaint-Handling Process Review

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company shall:

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

PART THREE – EXAMINERS' RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices.

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating Review

- The companies should file a revision to their insurance credit score calculations for motorcycle policies so that they accurately reflect the companies' practices the Financial Responsibility Level.
- The companies should remove the UM notice (2063 11/03) listed under "Forms" on the declarations page.

Terminations

- The companies should provide proper notice of cancellation to the insured and lienholders.

Claims

- The companies should acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.
- The companies should make all claim denials in writing and keep a copy in the claim file.
- The companies should provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- The companies should adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- The companies should properly represent pertinent facts or insurance provisions relating to the coverages at issue.

- The companies should settle a claim under the coverage where liability is reasonably clear without attempting to influence the settlement under another coverage of the policy.
- The companies should not set arbitrary or unreasonable limits for paint or materials used in vehicle repairs.
- The companies should include the lienholder on payments when applicable.
- The companies should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- The companies should include the fraud statement on all claim forms required by the companies as a condition of payment.
- The companies should make claim payments under the correct coverage.
- The companies should provide the right of rescission when the claimant or insured is not represented by an attorney.

Forms

- The companies should update the form number to reflect the revised version of Joint Ownership coverage – Virginia PP 13 53 06 15.
- The companies should update the form index to reflect the correct form numbers used by the companies.
- The companies should amend its forms to have the same boldface print as the standard forms filed and adopted by the Bureau.

Policy Issuance

- The companies should remove the UM notice (2063 11/03) listed under “Forms” on the declarations page.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted two prior market conduct examinations of Progressive Northern Insurance Company and one prior market conduct examination of Progressive Gulf Insurance Company. This is the first examination of Progressive Advanced Insurance Company, Progressive Direct Insurance Company, and Progressive Universal Insurance Company.

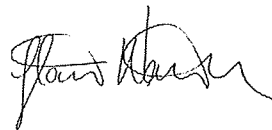
During the examination of June 30, 1996, Progressive Gulf Insurance Company violated §§ 38.2-305, 38.2-510 A 10, 38.2-511, 38.2-1905, 38.2-1906, 38.2-2014, 38.2-2206, 38.2-2220, 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-70 D and 14 VAC 5-400-80; and Progressive Northern Insurance Company violated §§ 38.2-305, 38.2-511, 38.2-1906, and 38.2-2202 of the Code of Virginia..

During the examination of December 31, 1999, Progressive Northern Insurance Company was ordered to cease and desist from any conduct which constitutes a violation of §§ 38.2-510 A, 38.2-510 C, 38.2-1905 A, 38.2-1906 D, 38.2-2208, 38.2-2212, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-70 D and 14 VAC 5-400-80 D.

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 "Gloria Warriner". The signature is fluid and cursive, with the first name being more prominent.

Gloria Warriner
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA



JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
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August 22, 2017

VIA UPS 2nd DAY DELIVERY

Patricia Kraven
Market Conduct Auditor
Progressive Group of Insurance Companies
6300 Wilson Mills Rd N71B
Mayfield Heights, OH 44143

RE: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Ms. Kraven:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of April 1, 2015 through March 31, 2016. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since June 21, 2017. Also enclosed are several technical 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 companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish 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 companies provide supporting documentation.

When the companies respond, please do not include any personally identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

Secondly, the companies must 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 companies have comments they wish 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 did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

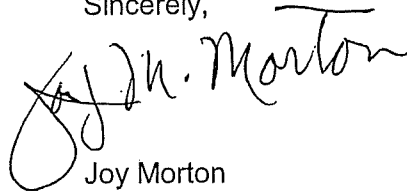
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by September 28, 2017.

After the Bureau has received and reviewed the companies' 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 September 28, 2017.

Sincerely,

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

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



December 1, 2017

Joy Morton
Manager, Market Conduct Section
Commonwealth of Virginia
Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 - March 31, 2016

Dear Ms. Morton

I am writing in response to your letter dated August 22, 2017 and the accompanying Report of Examination of the above-captioned companies (collectively "Progressive" or "Company(ies)"). Progressive appreciates the opportunity to provide comment to the report and responds as follows:

First, we express our appreciation for the Bureau's patience while Progressive reviewed the Report and prepared its response. The Company understands the necessity of the examination process and views it as an opportunity to identify areas where improvements may be made. Progressive is hopeful we can continue to work with the Bureau to reach a mutually agreeable solution to the issues presented.

In addition to the specific responses provided below, Progressive has general observations about the exam and the Company's compliance practices. Progressive prides itself on being transparent and acting in compliance with all applicable laws and regulations. The Company's practices and procedures are designed to comply with all such requirements. It was therefore somewhat of a shock for the Companies to receive such a significant number of Review Sheets and criticisms. The sheer volume of criticisms is not consistent with Progressive's business practices.

Both during the exam and in response to this report Progressive has and will continue to agree with observations that are founded in facts and in the law. There is evidence of that position in the corrective actions the Companies have already taken to correct admitted errors. Those actions have previously been shared with the Bureau. However, the Company will also continue to defend its practices where it feels the observations are not justified based on the facts or supported by the cited laws and regulations.

There are 3 significant themes that developed during the exam which Progressive continues to dispute:

1. Criticisms alleging that Progressive either failed to provide the Examiners with access to books and records and/or failed to have certain records. At all times during the exam Progressive personnel worked with the Examiners to provide all available records. There are no instances where the Company refused, or even delayed, access to the Examiners. The criticisms seemed to be based on a view of the records the Companies should have had, not what they were required to have. As was noted in numerous responses to Review Sheets and in this report, Progressive does not agree that its actions violated any of the cited statutes.
2. Criticisms alleging that Progressive improperly paid medical expense benefits directly to providers without requiring an assignment of benefits document. As noted in the Company's responses to individual Review Sheets and again stated in this response, the law cited by the Examiner's does not expressly prohibit the payment process followed by Progressive. Additionally, the payments to providers were made for the convenience of Progressive's customers. The Companies do not agree that the practice is a violation of the cited law.
3. Criticisms alleging that Progressive failed to file its rates and rules and/or that the Company failed to follow its rates on file. In each instance where those allegations have been made, they were done months or years after Progressive filed its rates and received acknowledgement from the Bureau. Additionally, the Review Sheets seem to be based on the absence of minor piece(s) of supporting documentation that are now deemed to be material. Progressive does not agree that such minor, primarily technical issues with filings already reviewed and acknowledged by another area within the Bureau of Insurance rise to the level of criticisms issued by the Examiners.

Report Response

Progressive does not have any comments or objections to the material found in the Introduction, Company Profiles, Scope of the Examination, or Statistical Summary sections of the report. The information all appears to be accurate.

Progressive makes the following submission to the Examiners' Observations found in Part One of the report:

Rating and Underwriting Review

Automobile New Business Policies

- (1) Progressive disagrees with this this observation. The cited statute, §38.2-1318, requires insurers to provide Examiners with convenient access to books, records, and files that are relevant to the examination. At all times during the exam Progressive provided such access. The observation creates a requirement, for Progressive to have a specific type of record, that does not exist in the statute, and then cites the Company for a violation. The observation is not founded in the law or facts of the exam.
- (2) (a) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of how the rules (P15, P16, and P34) interact, including citing the section of Rule P15 outlining how policies are rated when the customer's prior insurance was with one of the Progressive companies. Please see Review Sheets 1495082907 and 540554210 and the attached rules provided by the Company during the exam which support the application of the rules in question.

(b) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 157697088 and 1973680848 and the attached MVR records provided by the Company during the exam which support the rating of the policy.

(c) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 303114666 and 1248939659 and the MVR records provided by the Company during the exam which support the rating of the policy.

(d) Progressive disagrees with this observation. The Company provided the Examiners with evidence that the policies in question were written in accordance with the rates on file with the Bureau. Please see Review Sheet 1451302457 where the Company explained that the policy in question was written in the appropriate rate revision based on the effective date. Please also see Review Sheet 1678921155 and the attached explanation of the application of the rules.

(e) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of how the rates were calculated for the policies in questions. Please see as examples, Review Sheets 204118533 and 753682623 including the Company's explanation of the methodology for rate order calculation supporting the rating of the policies in question.

(f) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1226370422 and 418949268 where the Company noted that it had already provided the records which support the rating of the policies in question.

(3) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1914862661 and 2092870094 where the Company noted that it had already provided the records which support the rating of the policies in question.

(4) Progressive disagrees with this observation. Progressive supplied the Examiners with system records evidencing when the credit information was obtained for the affected policies, in each instance less than 90 days prior to the new business effective date. Please see as examples, Review Sheets 1739522778 and 1525934591 and the attached credit records provided as evidence of the date when the information was obtained.

Automobile Renewal Business Policies

(1) Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

(2) (a) Progressive disagrees with this observation. Please see Review Sheets 1634063733 and 506453665 and the information provided by Progressive in support of the rating of the policies in question. Please also see Review Sheet 1426794774 including Progressive's explanation that the policy was granted the appropriate discounts based on the actions of the insured.

(b) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 729831700 and 742108818 and the attached MVR records provided by the Company during the exam which support the rating of the policy.

(c) Progressive disagrees with observation. Please see Review Sheet 1544774898 including Progressive's explanation of the applicable rate filings which supported the rating of the policy in question. Please also Review Sheet 259174037 which includes Progressive's explanation of the applicable rules which support the rating of the policy in question.

(d) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1639865820 and 743156284 and the MVR records provided by the Company during the exam which support the rating of the policy.

(e) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the driver assignments for the policies in question, including reference to the endorsements where the named insured provided vehicle/driver assignments. Please see Review Sheets 1815146090 and 1512492808 including Progressive's explanation of the driver assignment methodology and reference to Rule R01 which was used for the endorsements. The Rule indicates that the named insured will assign drivers to vehicles, which is what happened on the policies in question.

(f) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the applicability of the rate stabilization factors. Specifically, Progressive cited the paragraphs of the rule that explain how rate stabilization is applied across multiple terms. Please see as examples, Review Sheets 34410269 and 1462091079 which include Progressive's explanation of how rate stability is applied in support of the rating of the policies in question.

(g) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or

regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1006043880 and 1475068837 where the Company noted that it had already provided the records which support the rating of the policies in question.

(3) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 722514062 and 1008861412 where the Company noted that it had already provided the records which support the rating of the policies in question.

Motorcycle New Business Policies

(1) Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

(2) (a) & (b) Progressive disagrees with these observations. The cited statute, §38.2-1318, requires insurers to provide Examiners with convenient access to its books, records, and files that are relevant to the examination. At all times during the exam Progressive provided such access. The observations create a requirement, for Progressive to have a specific type of record i.e. a signed paper application, that does not exist in the cited statute or any other statute of which the Company is aware.

(3) (a) Progressive disagrees with this observation. The observation creates proof and/or verification requirements that do not exist in the cited statute, or any other law or regulation of which the Company is aware. Progressive explained how the discounts were determined for the policies in question, including providing system records of the information provided by the insureds. There is no requirement in the law for Progressive to require the additional verification that this observation seeks. Please see as examples, Review Sheets 4483474 and 1120635263 and the attached system records evidencing the reason(s) Progressive granted the discounts in question.

(b) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 641811235 and 660094183 and the MVR records provided by the Company during the exam which support the rating of the policies in question.

(c) Progressive disagrees with this observation. Progressive provided proof to the Examiners of the filed symbol rule page for the affected policies. Please see as examples, Review Sheets 725346696 and 1844571318 and the accompanying screen shots of the applicable symbol pages for the specific vehicles in question which support the rating of the policies in question.

(d) Progressive disagrees with this observation. The Company provided information to the Examiners to explain the rating of the affected policies. Please see Review Sheets 2094762065 and 749742622 including Progressive's explanations for how the policies were rated.

(e) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1474310771 and 2105290808 where the Company noted that it had already provided the records which support the rating of the policies in question.

(4) Progressive disagrees with this observation. The Company provided the Examiners with a copy of the signed UM rejection of higher limits form obtained from the agency. Please see Review Sheet 450484491 and Progressive's response where the Company provided the actual UM rejection form to the Examiner.

(5) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1100075674 and 1886153477 where the Company noted that it had already provided the records which support the rating of the policies in question.

(6) Progressive disagrees with this observation. Progressive supplied the Examiners with system records evidencing when the credit information was obtained for the affected policies, in each instance less than 90 days prior to the new business effective date. Please see as examples, Review Sheets 46378326 and 892226382 and the attached credit records provided as evidence of the date when the information was obtained.

Motorcycle Renewal Business Policies

(1) Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

(2) (a) Progressive disagrees with this observation. Progressive provided information about how the discounts were determined for the policies in question, including providing system records and explanations of how the discounts were applied. Please Review Sheet 354524565 where the Company explained why the named insured did not qualify for an association discount. Please also see Review Sheet 1027320967 and Progressive's request for additional information.

(b) Progressive disagrees with this observation. Progressive provided proof to the Examiners of the filed symbol rule page for the affected policies. Please see as examples, Review Sheets 2057559386 and 1191412391 and the accompanying screen shots of the applicable symbol pages for the specific vehicles in question which support the rating of the policies in question.

(c) Progressive disagrees with this observation. The Company provided information to the Examiners to explain the rating of the affected policy. Please see Review Sheet 1689844661 where the Company provided a screen shot of the information justifying the rating.

(d) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 2107260623 and 202928587 where the Company noted that it had already provided the records which support the rating of the policies in question.

(3) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 421753645 and 995521529 where the Company noted that it had already provided the records which support the rating of the policies in question.

Commercial Automobile New Business Policies

(1) Progressive disagrees with observation. The cited statute, §38.2-1318, requires insurers to provide Examiners with convenient access to its books, records, and files that are relevant to the examination. At all times during the exam Progressive provided such access. The observation creates a requirement, for Progressive to have a specific type of record, that does not exist in the statute, and then cites the Company for a violation. The observation is not founded in the law or facts of the exam.

(2) Progressive disagrees with this observation. Progressive filed its rates and rules with the Bureau and cooperated fully during the review process. The Company answered all questions and inquiries from the Bureau related to the filing and ultimately received acknowledgement from the Bureau. The Company must be permitted to rely upon the review and acknowledgement process for insulation from this observation made long after the fact.

(3) (a) Progressive disagrees with this observation. The Company explained that it relied upon information supplied by the insured when granting the discount. There is no requirement of which Progressive is aware that obligates the Company to secure the proof sought by the Examiners in this observation. Please see Review Sheet 599288568 where Progressive explained that it relied upon the information provided by the insured when granting the discount.

(b) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 985941411 and 1328821865 and the MVR records provided by the Company during the exam which support the rating of the policies in question.

(c) Progressive disagrees with this observation. The Company provided information to the Examiners to explain the rating of the affected policy. Please see review sheets 1485789644 and 1492103157 where Progressive provided the Examiner with explanations of how the policies were rated, including reference to the applicable rules for each situation.

(d) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as example, Review Sheet 1431555081 where the Company noted that it had already provided the records which support the rating of the policies in question.

(e) Progressive disagrees with this observation. Progressive filed its rates and rules with the Bureau and cooperated fully during the review process. The Company answered all questions and inquiries from the Bureau related to the filing and ultimately received acknowledgement from the Bureau. The Company must be permitted to rely upon the review and acknowledgement process for insulation from this observation made long after the fact.

(4) Progressive acknowledges that the UM rejection form was not available.

(5) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheet 1002833276 where the Company noted that it had already provided the records which support the rating of the policies in question.

Commercial Automobile Renewal Business Policies

(1) Progressive disagrees with this observation. Progressive filed its rates and rules with the Bureau and cooperated fully during the review process. The Company answered all questions and inquiries from the Bureau related to the filing and ultimately received acknowledgement from the Bureau. The Company must be permitted to rely upon the review and acknowledgement process for insulation from this observation made long after the fact.

(2) (a) Progressive disagrees with this observation. Progressive supplied the Examiners with a copy of the MVR record used in rating the policy in question. The Examiners rejected Progressive's record as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the record in a specific format. Please see Review Sheet 309392207 and the MVR record provided by the Company evidencing the existence of the commercial driver's license for the insured which support the rating of the policies in question.

(b) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the MVR records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as example, Review Sheet 1034604863 and the MVR records provided by the Company during the exam which support the rating of the policies in question.

(c) Progressive acknowledges this observation. This policy has been addressed via Progressive's corrective action plan previously filed with the Bureau.

(d) Progressive disagrees with this observation. The Company provided an explanation to the Examiners of how the radius indicator was mapped to the corresponding factor. Please see Review Sheet 783201965 where Progressive explained to the Examiner how the radius indicator was mapped to the filed rate factor. See also Review Sheet 883946495 where Progressive provided the Examiner with an explanation, including written calculations, of the rate capping for the policy.

(e) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 488155585 and 802750429 where the Company noted that it had already provided the records which support the rating of the policies in question.

(f) Progressive disagrees with this observation. Progressive filed its rates and rules with the Bureau and cooperated fully during the review process. The Company answered all questions and inquiries from the Bureau related to the filing and ultimately received acknowledgement from the Bureau. The Company must be permitted to rely upon the review and acknowledgement process for insulation from this observation made long after the fact.

(3) Progressive disagrees with this observation. Progressive supplied the Examiners with copies of the credit records used in rating the policies in question. The Examiners rejected Progressive's records as insufficient. The Examiners did not respond to Progressive's request for citation to a statute or regulation requiring the Company to retain the records in a specific format. Please see as examples, Review Sheets 1716294372 and 427981626 where the Company noted that it had already provided the records which support the rating of the policies in question.

Termination Review

Company-Initiated Cancellations - Automobile Policies

(1) Progressive disagrees with this observation. Progressive explained to the Examiners that the device fee is separate from, and has no bearing on, the policy premium or fees. The fee is disclosed in the terms of use for the Snapshot device and is charged only when the customer does not return the Company's property. The fee is a separate agreement that falls outside the insurance statutes and is not subject to the cited regulation.

(2) Progressive disagrees with this observation. The Company provided proof of mailing to the Examiners, specifically, records of the itemized certificate of mailing. The method used by the Company is compliant with the cited statute.

(3) Progressive disagrees with this observation. The Company provided the Examiners with multiple system records evidencing transmittal of the notice to the lienholder. The Company's delivery is fully compliant with the cited statute. Please see Review Sheets 649562830 where the Company provided the Examiner with a copy of the electronic receipt evidencing delivery to the lienholder.

(4) (a) Progressive acknowledges this observation.

(b) Progressive disagrees with this observation. The Company provided the Examiners with evidence of delivery to the lienholder 10 days prior to the date of cancellation. Please see as examples, Review Sheets 1952029954 and 1479392809 where the Company provided the Examiner with copies of the electronic receipts evidencing delivery to the lienholders.

Other Law Violations

Progressive disagrees with this notation. The Company provided the Examiners with electronic records evidencing the filing of the SR-26.

Notice Mailed After the 59th Day of Coverage

- (1) Progressive acknowledges this observation.
- (2) (a) Progressive acknowledges this observation in part and disputes it in part. This observation groups together dissimilar fact situations some of which the Company disputes. Please see Review Sheet 207157423 where Progressive acknowledged the observation. But see also, Review Sheet 1194415110 where Progressive disagreed with the observation and provided the Examiner with an MVR evidencing the suspension of the insured's license, which was the basis for the cancellation.

(b) Progressive acknowledges this observation.
- (3) Progressive acknowledges this observation.

All Other Cancellations - Automobile Policies

Nonpayment of the Premium

- (1) Progressive disagrees with this observation. The Company provided the Examiners with valid proof of mailing from the USPS, including numerous contextual documents to prove the date the notices were mailed. Please see as examples, Review Sheets 563376088 and 1152124439 where Progressive provided the Examiner with actual records from the USPS. This observation creates a requirement that is not found within the cited statute.
- (2) Progressive disagrees with this observation. The Company provided the Examiners with proof that the notice to the lienholder was sent electronically. Please see Review Sheet 1447176406 where Progressive provided the Examiner with a copy of the receipt of electronic notification to the lienholder.

Requested by the Insured

Progressive disagrees with this observation. The Company provided the Examiners with a copy of the applicable cancellation endorsement permitting customers to cancel their policies via telephone. Each of the policies in question were cancelled per the customer's telephone requests. The existence of the cancel notice itself is evidence of the request. This observation seeks to create a record creation and/or retention requirement that does not exist in the applicable law. Please see as examples, Review Sheets 2077716216 and 1443397936 where Progressive provided the Examiner with a copy of the cancel endorsement and the cancel notices. There is nothing in the cited statute that requires additional documentation of the request.

Rejected Applications - Automobile Policies

Progressive disagrees with this observation. The Company provided the Examiners with all available records for each of the subject individuals. The records included documentation of the reasons and circumstances under which each of the affected individuals was rejected. There is no known requirement for the Company to have any specific record or type of record for these situations.

Company-Initiated Non-renewals - Automobile Policies

(a) Progressive disagrees with this observation. The Company provided the Examiners with records of the electronic notices sent to the lienholders. Please see as examples, Review Sheets 1252164604 and 61268573 where Progressive provided the Examiner with copies of the receipts of electronic notification to the lienholders.

(b) Progressive disagrees with this observation. The Company provided the Examiners with copies of the notices sent to the lienholders. Please see as examples, Review Sheets 941771422 and 873946588 where Progressive provided the Examiner with copies of the receipts of electronic notification to the lienholders.

Company-Initiated Cancellations - Motorcycle Policies

Notice Mailed Prior to the 60th Day of Coverage

(1) Progressive disagrees with this observation. The Company provided the Examiners with valid proof of mailing from the USPS, including numerous contextual documents to prove the date the notices were mailed. Please see Review Sheet 545166090 where Progressive provided the Examiner with actual records from the USPS. This observation creates a requirement that is not found within the cited statute.

(2) Progressive disagrees with this observation. The Company provided the Examiners with proof that the notice was sent to the address shown in the policy. Please see Review Sheet 798231320 where the Company provided the Examiner with a copy of the cancel notice mailed to the address shown for the policy.

All Other Cancellations - Motorcycle Policies

Nonpayment of Premium

Progressive disagrees with this observation. The Company provided the Examiners with valid proof of mailing for the notices to the insureds for both policies in question. Please see Review Sheets 1796328155 and 816798672 which include Progressive's response and supporting documentation.

Requested by the Insured

Progressive disagrees with this observation. The Company provided the Examiners with a copy of the applicable cancellation endorsement permitting customers to cancel their policies via telephone. Each of the policies in question were cancelled per the customer's telephone requests. The existence of

the cancel notice itself is evidence of the request. This observation seeks to create a record creation and/or retention requirement that does not exist in the applicable law. Please see as example, Review Sheet 1388759383 where Progressive provided the Examiner with a copy of the cancel endorsement and the cancel notices.

Rejected Applications - Motorcycle Policies

Progressive disagrees with this observation. The Company provided the Examiners with all available records for each of the subject individuals. The records included documentation of the reasons and circumstances under which each of the affected individuals was rejected. There is no known requirement for the Company to have any specific record or type of record for these situations.

Commercial Automobile Policies

- (1) Progressive acknowledges this observation.
- (2) Progressive disagrees with this observation. The Company provided the Examiners with valid proof of mailing for the notices to the insureds for both policies in question. Please see Review Sheet 1906642027 where Progressive provided the Examiner with actual records from the USPS. This observation creates a requirement that is not found within the cited statute.
- (3) Progressive acknowledges this observation.
- (4) Progressive disagrees with this observation. The Company provided evidence to the Examiners of how the fees were applied and for the calculation of the premium refund. Please see Review Sheet 1758188779 where Progressive explained to the Examiner why the late fee was assessed for the policy.

Claims Review

Private Passenger Automobile Claims

- (1) Progressive disagrees with this observation. There is little, if any, commonality across the files reviewed by the Examiners and/or in their observations of what documentation they considered to be lacking. The cited statute requires documentation "pertaining to the claim in such detail that ***pertinent events and the dates of such events*** can be reconstructed." [emphasis added] The observation seeks to expand that requirement to documentation of "every" event and/or circumstance occurring in a claim. The statute does not require that level of detail. Please see Review Sheet 1029057096 where the Examiner criticized the Company for paying out of pocket expenses; Review Sheets 1910246468 and 1932686246 where the Examiner criticized the Company for not obtaining copies of signed releases when payment was not made contingent upon receipt of the release; and, Review Sheet 1900104258 where the Examiner criticized the Company for not including specific reasons why payments were made to certain parties and for not obtaining signed releases. In each of these instances, the criticisms seek a level of detail that is not required by the cited statute.
- (2) (a) Progressive disagrees with this observation. Progressive provided the Examiners with documentation that the claim rep discussed the availability of medical payment benefits. Please see Review Sheet 489034956 which includes Progressive's detailed explanation of the investigation, necessitated by misrepresentations made by the insured, that led to the delay and the payment of the

medical expense coverage directly to the Medicaid provider. Please see also Review Sheet 709002072 where Progressive provided the actual claim record with a notation that medical expense coverage had been discussed with the insured.

(b) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Please see as examples, Review Sheets 44190599 and 182428885 where the Examiner criticized Progressive for failure to note discussion of the specific policy limits for each applicable coverage. In both cases the claims were paid in full at less than the available limits.

(c) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Please see Review Sheet 1411598255 where the Examiner criticized the Company for not informing the insured of the availability of rental coverage under UMPD. The Company explained that at the time rental coverage was provided it was not clear whether it was a UMPD claim, so the coverage was provided under rental. Additionally, the claim was paid in full under the rental coverage without reaching the limit of the coverage.

(3) Progressive acknowledges this observation.

(4) Progressive disagrees with this observation. The claims in question were not denied, the final amounts paid were in accordance with the billed amounts. Please see as examples, Review Sheets 2046838706 and 1304324118 where Progressive explained that the Company paid the amount billed. There was no denial of any portion of these claims.

(5) (a) Progressive acknowledges this observation in part and disputes it in part. The two claims associated with this observation are factually distinguishable. Please see Review Sheet 1695261848 which the Company acknowledges. Please also see, however, Review Sheet 1952892382 where the Company provided an explanation of how the coverage was applied and disputes that there was an underpayment.

(b) Progressive acknowledges this observation.

(c) Progressive is unable to locate any review sheets associated with this observation and cannot provide a response. The Company asks that the Bureau provide reference to the applicable review sheets so Progressive can deliver a substantive response.

(d) Progressive disagrees with this observation. Many of the claims grouped in this observation are factually distinguishable. However, the Company's position is that it acted appropriately in handling the cited claims. The Company either paid the claims or provided the Examiners with sufficient explanation of the reason(s) the claims remained unpaid.

(e) Progressive acknowledges this observation.

(f) Progressive disagrees with this observation. The Company provided the Examiners with documentation supporting the vehicle valuations in the affected claims. Progressive fulfilled its duty to

make a fair and reasonable offer under the cited statute. Please see as examples, Review Sheets 454214406 and 1408614018 where the Company provided the Examiners with explanations and supporting documentation for the valuations of the vehicles.

(6) (a) Progressive acknowledges this observation.

(b) Progressive disagrees with this observation. Please see Review Sheet 403377316 where the Company provided claim notes indicating that the estimate was provided and discussed with the claimant.

(7) Progressive acknowledges this observation.

(8) Progressive disagrees with this observation. The Company has adopted and implemented reasonable standards for the prompt investigation of claims and those standards were provided to the Examiners. In each of the claims for this observation the Company pursued investigations and at various points made business decisions regarding settlement outcomes. The existence of the standards and the evidence of the investigations for each of these claims disproves the allegations in this observation. Please see Review Sheet 13496442825 where the Company explained its investigation and the reasons for the decisions it made, including ample evidence of the existence of reasonable standards and the actual pursuit of an investigation in this claim.

(9) Progressive disagrees with this observation. Please see as example Review Sheet 1474894366 including the Company's explanation of the reasons and circumstances related to handling of the claim which supports that the claim was handled in good faith.

(10) Progressive disagrees with observation. The Company provided the Examiners with a thorough explanation of the circumstances under this claim, including the fact that the payment delay was directly related to an SIU investigation. This observation is not grounded in the facts of the claim. Please see Review Sheet 2127859897 where the Company explained that UMBI coverage was not available for a single vehicle loss where the insured was at fault and provided the reasons for a delay in the med pay payments pending an SIU investigation.

(11) Progressive disagrees with this observation. The Company provided the Examiners with a copy of the repair authorization that contained the required aftermarket parts disclosure. Please see Review Sheet 167393529 and the accompanying document which included the required disclosure.

(12) Progressive disagrees with this observation. Please see Review Sheet 948115832 and the Company's explanation for the miscommunication related to the claim, including the fact that repair was completed in a different state. In addition to the question of whether Virginia law applies to a repair completed in another state, this claim was paid in full and no cap was applied.

(13) Progressive disagrees with this observation. The law relating to assignment of benefits does not expressly prohibit insurers from making voluntary payments directly to providers. Please see as examples, Review Sheets 1473769856 and 1474905139 including the Company's explanation of the applicable law. In each of the cited claims the bills were paid and the insured has been made whole.

(14) Progressive disagrees with this observation. The cited provision does not prohibit adjustment of expense payments as alleged. Rather, the section prohibits reduction of the benefits themselves, i.e. the

limits, based on amounts paid by medical insurers. This observation is based on a misapplication of the cited statute.

(15) (a) Progressive acknowledges this observation.

(b) Progressive disagrees with this observation. The Company provided an explanation that the amount paid to the insureds was for the costs that will be incurred when the total loss vehicle is replaced. The title fee is a necessary component of the total loss settlement and should be included.

(c) Progressive acknowledges this observation.

(d) Progressive acknowledges this observation.

Other Law Violations

Progressive disagrees with this observation. The Company provided the Examiners with evidence that the insureds were provided notice of the right to rescind. Additionally, the cited statute only applies when there is an executed release. Absent having an executed release, as was the case in each of these claims, there can be no violation of the statute.

Motorcycle Claims

(1) Progressive disagrees with this observation. There is little, if any, commonality across the files reviewed by the Examiners and/or in their observations of what documentation they considered to be lacking. The cited statute requires documentation "pertaining to the claim in such detail that ***pertinent events and the dates of such events*** can be reconstructed." [emphasis added] The observation seeks to expand that requirement to documentation of "every" event and/or circumstance occurring in a claim. The statute does not require that level of detail. Please see as examples Review Sheet 159521535 where the Examiner criticized the Company for not having a copy of a signed release when payment was not contingent upon receipt of the release and criticized the Company for the presence of a misfiled record that had nothing to do with the claim in question. See also Review Sheet 1166993633 where the Examiner criticized the Company for not having actual copies of subrogation demand paperwork from the claimant carrier when all aspects of the subrogation activity were otherwise documented in the file.

(2) (a) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Such a requirement does not exist. Please see as examples Review Sheets 2040838343 and 469659770 where the Examiners criticized the Company for lack of documentation of specific discussions with insureds about specific coverages. The Company maintains that it discusses all available coverages with insureds.

(b) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Such a requirement does not exist. Please see as examples 629714460 and 289979142 where the Examiners criticized the Company for failure to document specific coverage discussions with insureds. The criticisms seek to create a requirement that does not exist.

- (3) Progressive acknowledges this observation.
- (4) Progressive acknowledges this observation.
- (5) Progressive disagrees with this observation. In each of the cited instances the Company paid the claims in full. Please see as examples, Review Sheets 1739942950 and 429704696 with the explanations from the Company showing that the claims were paid.
- (6) Progressive disagrees with this observation. The Company acknowledged that the investigation could have been handled more quickly. However, Progressive denies any allegation that its actions were made in bad faith.
- (7) Progressive acknowledges this observation.
- (8) Progressive disagrees with this observation. The law relating to assignment of benefits does not expressly prohibit insurers from making voluntary payments directly to providers. Please see as examples, Review Sheets 1686430021 and 507413243 including the Company's explanation of the applicable law. In each of the cited claims the bills were paid and the insured has been made whole.
- (9) Progressive disagrees with this observation. The cited provision does not prohibit adjustment of expense payments as alleged. Rather, the section prohibits reduction of the benefits themselves, i.e. the limits, based on amounts paid by medical insurers. This observation is based on a misapplication of the cited statute.
- (10) (a) Progressive acknowledges this observation.
- (b) Progressive disagrees with this observation. The Company provided an explanation that the amount paid to the insureds was for the costs that will be incurred when the total loss vehicle is replaced. The title fee is a necessary component of the total loss settlement and should be included.
- (c) Progressive is unable to locate any review sheet associated with this observation and cannot provide a response. The Company asks that the Bureau provide reference to the applicable review sheets so Progressive can deliver a substantive response.

Other Law Violations

Progressive acknowledges this observation.

Commercial Automobile Claims

- (1) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the reasons for the actions taken in the claims investigation. The cited statute requires documentation "pertaining to the claim in such detail that ***pertinent events and the dates of such events*** can be reconstructed." [emphasis added] The observation seeks to expand that requirement to documentation of "every" event and/or circumstance occurring in a claim. The statute does not require that level of detail. Please see Review Sheet 919342480 where the Examiner criticized the Company for

lack of documentation in a UM investigation. The Company explained the reasons for the investigative steps taken for the claim.

(2) (a) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Such a requirement does not exist. Please see Review Sheet 446923980 where the Examiner criticized the Company for failure to document discussion of a coverage that the Company explained was not applicable for the claim.

(b) Progressive disagrees with this observation. This observation seeks to expand the requirement of the cited statute, from a prohibition against concealing policy benefits, to a requirement of documentation that each applicable benefit was specifically discussed with each claimant in each claim. Such a requirement does not exist.

(3) Progressive acknowledges this observation.

(4) (a) Progressive acknowledges this observation.

(b) Progressive disagrees with this observation. In each of the cited instances the Company paid the claims in full. Please see as examples, Review Sheets 996489279 and 2143404662 including the Company's explanation of the applicable law. In each of the cited claims the bills were paid and the insured has been made whole.

(c) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the reasons why the optional coverages were not paid. The cited statute requires the Company to pay claims where liability is clear. An insured's voluntary selection of optional rental car coverages above what is required does not obligate the Company to make payment. Please see Review Sheet 396704489 including the Company's explanation for the reason why the expenses were not covered.

(5) Progressive acknowledges the observation.

(6) (a) Progressive disagrees with this observation. The Company paid the rental for the claim in question.

(b) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the claims investigation. Because of the issues dealing with the claimant's carrier, it did not become clear that this was a UMPD loss for several weeks. Progressive acted in good faith during its investigation and its actions were reasonable. Please see Review Sheet 75122185 including the Company's explanation for the reasons it took the investigative steps it did.

(c) Progressive disagrees with this observation. The Company provided the Examiners with an explanation for the delay in making the medical expense payments. There was no relation or reference whatsoever between the medical expense payment delay and the UM portion of the claim. Please see Review Sheet 1474291554 including the Company's explanation of the claim handling. The delay in medical expense payments was not related in any way to the UM investigation.

(7) Progressive disagrees with this observation. The law relating to assignment of benefits does not expressly prohibit insurers from making voluntary payments to providers. Please see as examples, Review Sheets 1180015212 and 1494937338 including the Company's explanation of the applicable law. In each of the cited claims the bills were paid and the insured has been made whole.

(8) Progressive disagrees with this observation. The Company provided the Examiners with an explanation of the reasons for making the payments for the cited files. In each instance, the Company was justified in making its decisions. Please see as examples, review sheets 1490284238 and 180205627 including the Company's explanation of the reasons payments were made.

Forms Review

Automobile and Motorcycle Forms

Policy Forms Used During the Exam Period

(a) Progressive acknowledges this observation.

(b) Progressive acknowledges this observation.

Policy Issuance Process Review

Automobile Policies

New Business Policies

Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

Renewal Business Policies

Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

Motorcycle Policies

New Business Policies

Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all

policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

Renewal Business Policies

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(2) Progressive disagrees with this observation. The cited statute only requires the notice at either new business or renewal. The observation changes the requirement to a requirement that the notice be at both new business and renewal.

Commercial Automobile Policies

New Business Policies

Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

Renewal Business Policies

(1) Progressive disagrees with this observation. The three endorsements cited by the Examiners, Additional Insured - Lessor, Trust Endorsement, and Joint Ownership Coverage, are all found in the Standard Endorsements section of the Virginia promulgated policy. As such, the coverages apply to all policies sold in Virginia. While listing them on the declarations page may be redundant, including them is not inaccurate and therefore cannot be a violation of the cited statute.

(2) Progressive disagrees with this observation. The observation is not supported by a plain reading of the applicable statutes. The policies in question were issued to corporations and therefore did not qualify as personal auto policies.

General Statutory Notices

(1) Progressive disagrees with this observation. The Company provided the Examiners with copies of their information collection notices. The forms used by the Company comply with the requirements of the cited statute. There is no requirement that insurers use specific language or forms to comply with the law.

(2) Progressive disagrees with this observation. The Company provided the Examiners with copies of their AUD notices. The forms used by the Company comply with Virginia law. There is no requirement that insurers use specific language or forms to comply with the law. Please see Review Sheet

1287622436 and the Company's response explaining how the form meets the requirements. The Company's form provides customers an accurate summary of their rights under the law.

Statutory Vehicle Notices

- (1) Progressive disagrees with this observation. The Company provided the Examiners with copies of their reduction in coverage notices. The forms used by the Company comply with Virginia law. There is no requirement that insurers use specific language or forms to comply with the law.
- (2) Progressive disagrees with this observation. The Company does not use the services of a third-party administrator for glass claims.

Other Notices

- (1) Progressive disagrees with this observation. The Company provided the Examiners with copies of their information collection notices. The forms used by the Company comply with Virginia law. There is no requirement that insurers use specific language or forms to comply with the law. Please see Review Sheet 640176968 and the Company's response. The Company's form gives customers an accurate description of their rights under the law.
- (2) Progressive disagrees with this observation. The Company provided the Examiners with copies of their AUD notices. The forms used by the Company comply with Virginia law. There is no requirement that insurers use specific language or forms to comply with the law. Please see Review Sheet 1475245157 and the Company's response. The Company's form provides customers an accurate summary of their rights under the law.
- (3) Progressive disagrees with this observation. The Company provided the Examiners with a copy of the important notice containing the precise language in the statute. Please see Review Sheet 665261202 and Progressive's response. The Company provided the Examiner with a copy of the actual form with the required language on it.

Agency Review

- (1) Progressive disagrees with this observation. The commissions were paid to a licensed individual in his own name, not to an unregistered trade name. Please see Review Sheet 155697743 and the Company's response including evidence that the Commissions were paid to the individual agent, not to the trade name.
- (2) Progressive disagrees with this observation. The Company provided the Examiners with information evidencing that the agencies in question were in fact appointed when the policies were written. Please see Review Sheet 1644870426 and the Company's response including an explanation of the fact that the agent was appointed at the time the policy was written.

Agent Review

Progressive disagrees with this observation. The Company had the required records and provided them to the Examiners, including proof that the individuals in question were in fact the ones

who wrote the policies. Please see Review Sheets 1490731848 and 1813576791 where the Company provided the Examiner with electronic evidence that the policies were written by the named individuals.

Review of the Complaint-Handling Process

Progressive disagrees with this observation. The Company provided the Examiners with an explanation that the complaint was not identified because of a data entry error. Upon further review, the Company located the complaint record and provided it.

PART TWO - CORRECTIVE ACTION PLAN

Progressive will review the items in this Report that the Company acknowledged and will provide the Bureau with a description of the corrective actions, if any, that are necessary to address each issue. The Company is also open to continued discussions with the Bureau for appropriate corrective actions after the open issues in this Report have been resolved.

PART THREE - EXAMINERS' RECOMMENDATIONS

Progressive will review the Examiners' recommendations and consider corrective action where appropriate. In instances where such action is taken, the Company will share that information with the Bureau.

In order to preserve its rights and to hopefully proceed with a productive dialogue, the Company is requesting a hearing before the Commission pursuant to VAC 38.2-1320.1(2). Progressive remains hopeful that the parties will be able to reach a mutually agreeable resolution through the informal hearing process.

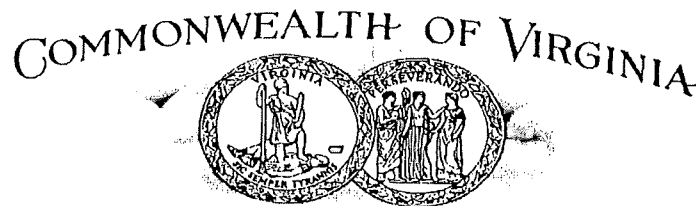
Please contact me at your convenience to discuss scheduling options for the hearing.

Sincerely,

Gregory E Schwartz

Gregory E. Schwartz
Assistant General Counsel
The Progressive Group of Insurance Companies.

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
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October 26, 2018

VIA UPS 2nd DAY DELIVERY

Gregory E. Schwartz
Associate General Counsel
Progressive Group of Insurance Companies
6300 Wilson Mills Rd N71B
Mayfield Heights, OH 44143

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC# 11851)
Progressive Direct Insurance Company (NAIC# 16322)
Progressive Gulf Insurance Company (NAIC# 42412)
Progressive Northern Insurance Company (NAIC# 38628)
Progressive Universal Insurance Company (NAIC# 21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Mr. Schwartz:

The Bureau of Insurance (Bureau) has reviewed the December 1, 2017 response to the Preliminary Market Conduct Report (Report) of Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company and Progressive Universal Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (1) Based upon additional information provided by the Company the six of the violations of § 38.2-1318 have been withdrawn from the Report.

The violation for RPA035 remains in the Report. The Company was unable to provide the policy information for this policy that was included in the population files provided by the Company.

The Report has been amended to include 44 violations of § 38.2-305 A. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the

Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy. The Report has been renumbered to reflect this change.

(2a) After further review, the violations for RPA001, RPA002, RPA005, RPA006, RPA015, RPA024, RPA032 – RPA034, RPA037, RPA038, RPA040, RPA041, RPA044 and RPA045 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

(2b) After further review, the violations for RPA001 - RPA003, RPA005 - RPA013, RPA018, RPA030 - RPA034, RPA036 - RPA041 and RPA044 have been withdrawn from the Report.

The violation for RPA015 remains in the Report. The Company failed to provide the necessary documentation to support the surcharge applied to the insured's policy for an accident on July 10, 2014. In addition, the CLUE report provided by the Company did not include an accident for that date.

The violation for RPA016 remains in the Report. The Company failed to properly surcharge the policy for the accidents and violations indicated on the MVR and CLUE reports provided. The CLUE report indicated an at fault accident on December 22, 2014; however, the Company handled the accident as a Not-At Fault accident. This also effected the Household Factor calculation.

The violation for RPA021 remains in the Report. The Company incorrectly applied a surcharge for speeding violation on February 1, 2016. The MVR provided by the Company did not include a violation on this date.

(2c) After further review, the violations for RPA002, RPA003, and RPA010 have been withdrawn from the Report.

The violation for RPA001 remains in the Report. The minor conviction shown on the MVR was also included on the application, therefore, it cannot be classified as an omitted incident.

The violations for RPA005, RPA011, RPA012, RPA013, and RPA015 remain in the Report. The Company incorrectly rated the policy as having an omitted incident. However, all incidents indicated on the MVR and CLUE reports are listed on the application.

(2d) After further review, the violation for RPA026 has been withdrawn from the Report.

The violation for RPA008 remains in the Report. The Company used superseded rates. The policy went into effect on July 27, 2015. The Company filed rates in SERFF tracking PRGS-130177192 became effective on July 24, 2015. Therefore, the policy

being reviewed by the Bureau should have been rated with the rates in the PRGS-130177192 filing.

(2e) The violations for RPA002, RPA005, RPA006, and RPA025 remain in the Report. The Company provided a spreadsheet showing the rate order of calculations. The order in the Company's spreadsheet is different than the order in the manual on file at the Bureau. Using the order in the spreadsheet provided by the Company creates a drastic difference in the premium. Based on the spreadsheet provided by the Company; the Company is multiplying the Distant Student Discount, Minor Child Discount, Good Student Discount, Mature Driver Discount, and the Household Member factor. The Company is then applying that amount to the Unity Factor. This makes the overall amount a negative number which is then applied to the remaining steps in the calculation.

(2f) After further review, the violations for RPA001, RPA002, RPA005 - RPA007, RPA011 - RPA014, RPA017, RPA019, RPA020 - RPA025, RPA028 - RPA034, and RPA036 - RPA045 have been withdrawn from the Report.

The violation for RPA004 is added to the Report. The Company's Financial Responsibility Tier factors on file with the Bureau did not include factors for all of the average trade length options. The credit report provided by the Company indicated that the average trade length was 14 months. Because there was no factor assigned to that value a Financial Responsibility Tier of A1 was used to rate the policy.

The violations for RPA016, and RPA018 remain in the Report. The Company should provide their calculated credit score information for these policies.

(3) After further review, the violations for RPA003, RPA004, RPA008 – RPA010, RPA015, RPA026 and RPA027 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

(4) After further review, the violations for RPA001 – RPA004, RPA008 – RPA020, and RPA022 – RPA026 have been withdrawn from the Report. The Report has been renumbered to reflect this change

Automobile Renewal Business Rating

(1) The 25 violations of § 38.2-305 A cited in the Report remain in the Report. In addition, The Report has been amended to include 49 additional violations of § 38.2-305 A. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy. The Report has been renumbered to reflect this change.

(2a) The violation for RPA079 remains in the Report. The Company has not provided documentation that the insured's policy was corrected prior to the Bureau citing the

violation on October 4, 2016. As such, the Company's correction of February 15, 2017 would be a direct result of the Bureau's review. However, the endorsed declarations page stated there was no premium change caused by this endorsement. The Company's documentation does not indicate when the Paid in Full discount was added to the policy or illustrate that the account was adjusted for the Paid in Full premium decrease prior to first receiving this violation.

After further review, the violations for RPA049 and RPA050 have been withdrawn from the Report.

- (2b) After further review, the violations for RPA046, RPA047, RPA049, RPA052 – RPA056, RPA059, RPA061, RPA062, RPA064 – RPA066, RPA069, RPA071 – RPA073, RPA075, RPA090 – RPA093, RPA095, RPA098, RPA100, RPA102, RPA106 – RPA109, RPA111, RPA112, RPA116, RPA118, and RPA120 have been withdrawn from the Report. The Company provided the applicable MVR and Clue information needed to verify all surcharges and convictions.

The violation for RPA103 remains in the Report. The Company incorrectly applied three surcharge points for driver one for a safety violation. A safety violation should have resulted in two surcharge points.

- (2c) The 15 symbols violations remain in the Report. The Company's manual rules did not include a rule that would allow all model years beyond 2010 to use the same factor as the 2010 factor for the same make and model combination. Further, the manual did not include the information necessary to calculate the Year Make Model Algorithm.

In addition, two violations have been added to the Report for RPA072. The Company did not use its filed symbols for the 2011 Ford Ranger and the 2011 Toyota RAV 4 Ltd.

- (2d) After further review, the violations for RPA049, and RPA053 – RPA056 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (2e) The violations for RPA079 and RPA120 remain in the Report. The filed rule requires the lowest rated driver to be assigned to the excess vehicles, unless the insured has otherwise assigned the drivers. The Company previously responded that the insureds made driver assignments as reflected by how the policy was rated. However, neither the policy file nor Company responses provided evidence that the insured assigned drivers to any of the vehicles. For reconsideration, the Company should provide documentation showing the insured's request for specific driver assignments, other than indicating the vehicle each driver customarily operated.

- (2f) The violations for RPA048, RPA049, RPA051, RPA055, RPA057, RPA087 and RPA088 remain in the Report. The Company's filed rule does not state that the rate stabilization process of prior terms should be included in rating the current policy term. There was no rate plan or profile change to these policies; therefore, the Company should not have applied rate stability factors.

The violation for RPA062 remains in the Report. The Company indicated the SERFF filing PRGS-130248037 as the applicable filing to use for rating of the policy. However, this SERFF filing only included charges to the base rates and the monthly rate factors. The Education Factor table was unaltered within the filing, therefore the table that was on file with SERFF filing PRGS-129804650 was still in effect at the time of the policy's renewal effective date October 22, 2015. (2g) After further review, the violation for RPA050, RPA055, RPA056, RPA059, RPA060, RPA063, RPA065 – RPA070, RPA075 – RPA079, RPA081, RPA083, RPA089 – RPA091, RPA093 – RPA112, RPA114, RPA116, RPA117, RPA119 and RPA120 have been withdrawn from the Report. After submitting their response to the Report, the Companies provided raw credit reports that allowed the Bureau to confirm the accuracy of the manipulated reports.

The violations for RPA046, RPA047, RPA048, RPA049, RPA053, and RPA058 remain in the Report. The Company needs to provide their calculated credit score report.

- (3) After further review, the violations for RPA051, RPA052, RPA057, RPA061, RPA062, RPA064, RPA071 – RPA074, RPA080, RPA082, RPA084, RPA085, RPA087, RPA088, RPA113, RPA115 and RPA118 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

Motorcycle New Business Policies

- (1) These violations remain in the Report. The statute requires a list of all policy forms that apply to the policy. Although the three forms are Virginia standard forms, they only apply to a policy when the insured vehicle is leased, owned by a trust, or owned jointly by two or more unmarried persons. None of the policies cited insured such vehicles. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.

- (2a) The violation for RMC005 remains in the Report. The Company has not provided all of the documents necessary to complete the review. Additionally, the Company did not provide documentation of the motorcycle's purchase date.

The violation for RMC008 remains in the Report. The Company has not provided all of the documents necessary to complete the review. Additionally, the Company did not provide the requested screen print reflecting the insured did not have prior insurance.

- (2b) The violations for RMC002, RMC003 and RMC006 remain in the Report. The Company has not provided all of the documents necessary to complete the review.

- (3a) The filed rules included specific eligibility criteria for the discounts cited below. In these cited instances, the policy file did not include sufficient documentation to support the application of the discount.

The two violations for RMC002 remain in the Report. The Company did not provide sufficient documentation of the two policies that made the insured eligible for the Transfer and Multi-policy discounts.

The violation for RMC003 remains in the Report. The Company did not provide the proof required by the Safety Course Discount Rule D05.

Two violations for RMC004 remain in the Report. The Company did not provide the proof required by the Safety Course Discount Rule D05; also, the Company did not provide the MVR to as verification of the insured's motorcycle license for the Motorcycle Endorsement discount.

The two violations for RMC005 remain in the Report. The Company did not provide documentation to confirm the insured's eligibility for the Transfer discount. In addition, the Company did not provide the verification required by the Safety Course Discount Rule D05.

The violation for RMC006 remains in the Report. The Company did not provide documentation to confirm the insured's eligibility for the Transfer discount.

The violation for RMC009 remains in the Report. The Company did not provide the verification required by the Safety Course Discount Rule D05.

The violation for RMC010 remains in the Report. The Company did not provide documentation that the motorcycle was eligible for the Anti-Lock Brakes discount.

Three violations for RMC012 remain in the Report. The Company did not provide the verification required by the Safety Course Discount Rule D05. The Company did not provide the insured's MVR to verify correct application of the Motorcycle Endorsement and Responsible Driver discounts.

The two violations for RMC013 remain in the Report. The Company did not provide documentation that the motorcycle was eligible for the Anti-Lock Brakes discount. In addition, Company did not provide documentation to confirm the insured's eligibility for the Transfer discount.

Two violations for RMC014 remain in the Report. The Company did not provide the verification required by the Safety Course Discount Rule D05. The Company's MVR did not reflect the insured had a motorcycle license or permit to be eligible for the Motorcycle Endorsement discount. One violation for RMC014 was withdrawn from the Report. The MVR reflected one conviction, which made the insured ineligible for the Responsible Driver discount.

One violation for RMC015 remains in the Report. The Company did not provide the verification required by the Safety Course Discount Rule D05. One violation for RMC015 was withdrawn from the Report. The MVR reflected two convictions, which made the insured ineligible for the Responsible Driver discount.

The two violations for RMC018 remain in the Report. The Company did not provide documentation that the motorcycle was eligible for the Anti-Lock Brakes discount. The Company did not provide documentation that made the insured eligible for the Transfer discount.

After further review, the violation for RMC020 has been withdrawn from the Report. The MVR reflected one minor conviction, which made the insured ineligible for the Responsible Driver discount.

- (3b) After further review, the violations for RMC005, RMC009 and RMC018 have been moved to Item (4a) of the Revised Report for not applying the Responsible Driver or Motorcycle Endorsement discounts.

After further review, one violation for RMC008 has been withdrawn from the Report. After submitting its response to the Report, the Company provided MVRs from its vendor that were not reformatted by the Company to confirm the integrity of the MVRs initially provided. The Bureau has withdrawn the violations for the two convictions. However, the Company incorrectly surcharged the policy for the accident appearing on the MVR when the driver did not have a corresponding conviction. Section 38.2-1905 A of the Code of Virginia only allows insurers to charge points for an accident where the driver was wholly or partially at fault for the accident.

- (3c) After further review, the violations for RMC005 and RMC007 have been withdrawn from the Report.

The violation for RMC010 remains in the Report. The Company did not have any symbols filed specifically for a Kawasaki EX300.

The violations for RMC012 and RMC013 remain in the Report. The Company did not use symbol 55 that was filed specifically for a Honda CBR1000RR. The Company only filed symbols under SERFF Tracking Number PRGS-126343444. Any other symbols used by the Company were not filed with the Bureau for the Company's use.

The violation for RMC015 remains in the Report. The Company did not use symbol SB that was filed specifically for a Suzuki GSX-R600. The Company only filed symbols under SERFF Tracking Number PRGS-126343444. Any other symbols used by the Company were not filed with the Bureau for the Company's use.

The violation for RMC016 remains in the Report. The Company did not file a specific symbol for a Kawasaki KVF750L. The Company rated the vehicle with symbol FB, although all filed KVF750 models were defined with symbol 54.

After further review, the violations for RMC018 and RMC019 have been withdrawn from the Report.

- (3d) The violation for RMC003 remains in the Report. The Company did not provide the date the 1980 Yamaha was purchased.

The violation for RMC010 remains in the Report. The Company did not provide the Rating Information Page that indicates the Initial Quote Source.

- (3e) These violations remain in the Report. The Companies provided raw credit reports after submitting its response to the Report. Upon reviewing the raw credit information, the Bureau determined that the Companies did not follow their filed Insurance Credit Score Calculation. The Companies' calculations of the following variables were not filed: Trade Satisfactory Count, Open High Credit Ratio, Average Trade Length, and Most Recent Delinquency & Maximum Delinquency Rating. Details regarding the discrepancies between the filed variables and the Companies' calculations are provided in Review Sheet R&UNBMC1533145638.
- (4) The violation for RMC004 remains in the Report. The signed Uninsured Motorist (UM) rejection document was not a part of the policy file made available on site. The Company did not address how this document is now available but was not available during the examination.
- (5) After further review, the violations for RMC001, RMC004, RMC007, RMC010, RMC016 and RMC018 have been withdrawn from the Report. The Bureau sampled the raw credit reports provided by the Company after their response to the Report was submitted. For these policies, the Company calculated insurance credit scores that were not affected by the differences between the Company's filed rules and the actual calculation implemented.
- The violations for RMC002, RMC003 and RMC013 have been moved to item (4e) of the Revised Report. Upon reviewing the raw credit information, the Bureau determined that the Company did not follow their filed Insurance Credit Score Calculation.
- (6) After further review, this item is withdrawn from the Report. The Company provided credit reports that included the date obtained.

Motorcycle Renewal Business Policies

- (1) These violations remain in the Report. The statute requires a list of all policy forms that apply to the policy. Although the three forms are Virginia standard forms, they only apply to a policy when the insured vehicle is leased, owned by a trust, or owned jointly by two or more unmarried persons. None of the policies cited insured such vehicles. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.
- (2a) Two violations for RMC022 remain in the Report. The Company did not provide the verification required by the Safety Course Discount Rule D05. The Company did not provide the MVR to verify the insured's motorcycle license for the Motorcycle Endorsement discount.

The violation for RMC023 remains in the Report. The declarations page displayed the Harley-Davidson discount, but the Company did not apply the Harley-Davidson group discount to the policy.

Two violations for RMC024 remain in the Report. The Company did not provide the documentation that made the insured eligible for the Transfer discount. The Company did not provide the MVR to verify the insured's motorcycle license for the Motorcycle Endorsement discount.

The violation for RMC025 remains in the Report. The Company did not provide the MVR to verify the insured's motorcycle license for the Motorcycle Endorsement discount.

The violation for RMC026 remains in the Report. The Company did not provide the MVR to verify the insured's motorcycle license for the Motorcycle Endorsement discount.

The violation for RMC028 remains in the Report. The Company did not provide a readable copy of the audit history to verify the prompt payment discount was applied correctly.

The two violations for RMC039 remain in the Report. The Company did not provide the documentation that confirmed that the insured was eligible for the Transfer discount. The Company did not provide the verification required by the Safety Course Discount Rule D05.

After further review, the violation for RMC041 has been withdrawn from the Report. The MVR reflected one minor conviction, which made the insured ineligible for the Responsible Driver discount.

The violation for RMC045 remains in the Report. The Company did not follow its filed rule for determining the rate cap factor for the \$380 uncapped premium. The expiring premium was \$335 with a maximum capped premium of \$365 (10% increase) and \$369 (\$30 increase). The Company calculated a rate cap factor of .90 that does not correspond to the policy's \$365 premium. Furthermore, the Company should have charged the greater of the capped premiums per its filed rule D04.

(2b) After further review, the violation for RMC027 has been withdrawn from the Report. The Company used the filed symbol for vehicles 25 years old or older for a 1985 motorcycle.

After further review, the violations for RMC030 and RMC039 have been withdrawn from the Report.

The violation for RMC040 remains in the Report. The Company did not file a specific symbol for a Dasha Scooter/Moped. Therefore, the appropriate symbol was Regular (RG) per filed symbol rule V01.

The violations for RMC047 and RMC050 remain in the Report. The Company filed symbol 39 specifically for the Ducati Monster 1000 and Ducati Monster S2R.

- (2c) The violation for RMC046 remains in the Report. The Company provided a partial print out that showed a purchase date, but did not reflect the policy number, insured name, or motorcycle. For reconsideration, the Company should provide a print out of the entire screen so the information can be verified with the policy file.
- (2d) These violations remain in the Report. The Company provided raw credit reports after submitting its response to the Report. Upon reviewing the raw credit information, the Bureau determined that the Company did not follow its filed Insurance Credit Score Calculation. The Company's calculation of the following variables was not filed: Trade Satisfactory Count, Open High Credit Ratio, Average Trade Length, and Most Recent Delinquency & Maximum Delinquency Rating. Details regarding the discrepancies between the filed variables and the Company's calculations are provided in Review Sheet R&UNBMC1533145638.
- (3) After further review, the violations for RMC022, RMC028, RMC045 and RMC049 have been withdrawn from the Report. The Bureau sampled the raw credit reports provided by the Company after their response to the Report was submitted. For these policies, the Company calculated the insurance credit scores that were not affected by the differences between the Company's filed rules and actual calculation implemented.

The violations for RMC021, RMC039 and RMC046 were moved to Item (2d) of the Report. Upon reviewing the raw credit information, the Bureau determined that the Company's did not follow their filed Insurance Credit Score Calculation.

Commercial New Business Rating

- (1) After further review, the violations for RCA001, RCA002, RCA004, RCA007, RCA009, RCA010, RCA012, RCA014, RCA018, RCA020 and RCA025 have been withdrawn from the Report. The Report has been renumbered to reflect this change.
- (2) These violations remain in the Report. The Company's filed manual did not indicate how to select the Business Tier Row, one through 34. Virginia is a file and use state and it is the responsibility of the Company to ensure all rates and supplementary rate information are filed with the Bureau of Insurance on or before the effective date.
- (3a) This violation stays in. The Underwriting Rules for Rated Market Rule B03, Bill Plans and Installment Fee, state in part "proof of prior continuous coverage for 1 yr. with ..." In the Company's response to review sheet 599288568 the Company responded, "the sales representative failed to secure proof of prior insurance." The Sales Representative is an agent of the Company and as such the Company failed to secure the proof of prior insurance as required by the filed manual.
- (3b) After further review, the violations for RCA003, RCA005, RCA008, RCA011, RCA013, RCA015 – RCA017 and RCA021 – RCA024 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (3c) The violation for RCA012 remains in the Report. This is a non-owned trailer policy and the rate order of calculation (ROC) for non-ownership liability was used to calculate the premium.

The violation for RCA016 has been withdrawn from the Report. A new violation has been added to § 38.2-1906 A of the Code of Virginia, for failing to have on file a definition of "fleet" that tracks the Company's practice.

- (3d) After receiving raw credit data provided by the Company, the violations for RCA001 – RCA005, RCA007 – RCA010, RCA012 – RCA018 and RCA020 – RCA025, have been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (3e) These violations remain in the Report. The Company's Rule V10 is incomplete. The Company failed to define what type of vehicles fall under the following categories: Tow, Specialty Truck, Local Cartage and Light Local. It is the Company's responsibility to have all rules and/or rates on file with the Bureau of Insurance on or before the date the rates and/rules are used.

- (5) After receiving raw credit data provided by the Company, the violations for RCA006 and RCA011 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

Commercial Renewal Business Rating

- (1) These violations remain in the Report. The Company's filed manual did not indicate how to select the Business Tier Row, one through 34. Virginia is a file and use state and it is the responsibility of the Company to ensure all rates and supplementary rate information are filed with the Bureau of Insurance on or before the effective date.

- (2a) After further review, the violation for RCA029 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (2b) After further review, the violations for RCA026, RCA027, RCA031 and RCA038 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (2d) The violation for RCA029 remains in the Report. There are no rules on file in the Company's filed rating manual that indicates "N/A" corresponds to a Radius of 999 in the filed RADIUS-FCT-TBL. The Company's explanation via a review sheet cannot be substituted for filed rules.

After further review, the violation for RCA030 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (2e) After receiving the raw credit data provided by the Company, the violations for RCA026 – RCA031, RCA033, RCA034, RCA036, RCA037, RCA043, RCA044, RCA046, RCA047, RCA049 and RCA050 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (2f) These violations remain in the Report. The Company's Rule V10 is incomplete. The Company failed to define what type of vehicles fall under the following categories: Tow, Specialty Truck, Local Cartage and Light Local. It is the Company's responsibility to have all rules and/or rates on file with the Bureau of Insurance on or before the date they are used.
- (3) After receiving raw credit data provided by the Company, the violations for RCA038, RCA039 and RCA048 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY

- (1) The violation of TPA004 has been withdrawn from the Report.

A violation of both § 38.2-310 A and §38.2-1906 A of the Code of Virginia have been added to the Report. The Company failed to file with the Commission all rates and supplementary rate information including fees. All fees charged for the procurement of insurance must be filed with the Bureau prior to use.
- (2) The violations in this section remain in the Report. The Bureau acknowledges that the Company provided a mailing list that included the name and address of the insured. However, the mailing provided list was not valid proof of mailing as it does not include evidence of postage paid.
- (3) After further review the violation of TPA007 is withdrawn from the Report.
- (4b) The violations of TPA007, TPA009 and TPA010 remain in the Report. The documentation provided by the Company indicates that the lienholder on each of these files were only given 9 days' notice.

OTHER LAW VIOLATIONS

The violation of TPA005 has been withdrawn from the Report.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

- (2) The violation of TPA017 remain in the Report. The cancellation notice mailed to the insured states that the insured does not have a valid driver's license. The Company can only cancel an Automobile Insurance Policy after the 59th day of coverage for the reasons specified in §38.2-2212 D of the Code of Virginia.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

- (1) The violations of TPA028 and TPA029 remain in the Report. The Company has failed to provide valid proof of mailing the notices to the insured.
- (2) The violation for TPA038 was withdrawn from review sheet TermNPPPA-1447176406 and rewritten to review sheet TermNPPPA-567374237 and is referenced below. A new violation has been added due to the Company's failure to provide valid proof of mailing to the lienholder.

REQUESTED BY THE INSURED

The violations in this section remain in the Report. The Company has not provided any additional documentation to reconsider.

REJECTED APPLICATIONS – AUTOMOBILE POLICIES

The violations remain in the Report. The Company has not provided evidence that the rejected applicants were sent a Notice of Information and Collection and Disclosure Practices as required by §38.2-604 and Notice of Adverse Underwriting Decision as required by §38.2-610.

COMPANY INITIATED NON-RENEWALS – AUTOMOBILE POLICIES

- (a) The violations in this section remain in the Report. The Company responded to these violations with copies of the transmittal information, EDS reports, confirming the date of delivery. However, the violations were due to the Company's failure to retain copies of the notice of non-renewal sent to the lienholder.
- (b) The violations in this section have been withdrawn and new violations have been added to the above section (a) The Report has been renumbered to reflect this change.

Company Initiated Cancellations – Motorcycle Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (1) The violation for TMC002 remains in the Report. The Company has not provided a mailing list which includes a legible USPS ball stamp and a paid receipt stamp. The postage statement provided by the Company is not adequate replacement for a legible USPS ball stamp.
- (2) The violation for TermFst60MC-798231320, TMC004 remains in the Report. The Company sent the cancellation notice to an address not listed on the policy. The insured did not contact the Company to advise that their address had changed.

All Other Cancellations – Motorcycle Policies

NONPAYMENT OF THE PREMIUM

The violation for TMC017 remains in the Report. The Company advised the Bureau that certified mail jobs were run in Colorado Springs, but due to a system limitation with a particular ROM form the Cleveland address is displayed on the proof of mailing and the Company should place an address sticker over the Cleveland address. If this is the Company's process the examiners should not have received a proof of mailing with the Cleveland address. The Company's response does not explain why the two proofs of mailings would have different addresses if the Company has a procedure to place an address sticker over the Cleveland address

The violation for TMC018 remains in the Report. The documentation provided by the Company in their response to review sheet TermNPMC-816798672 does not allow the examiners to tie the Postage statement with the proof of mailing.

Requested by the insured

The violations in this section remain in the Report. The Company has not provided any additional evidence, voice recording or underwriting notes to document that the insured requested cancellation.

Rejected Applications – Motorcycle Policies

The violations in this section remain in the Report. The Company has not provided any evidence that the rejected applicants were sent a Notice of Information and Collection and Disclosure Practices as required by §38.2-604 and Notice of Adverse Underwriting Decision as required by §38.2-610.

Commercial Automobile Policies

- (2) The violation for TCA004 remains in the Report. The Company has not provided a mailing list which includes a legible USPS ball stamp.
- (4) The violations in this section remain in the Report. The company cannot continue to bill late fees and installment fees after the cancellation date.

Private Passenger Automobile Claims

- (1) The violations in this section remain in the Report. The basis for the violations in this section relates to various deficiencies in the claim files. Not all deficiencies are identical. However, each relates to the inability to reconstruct the claim file. For example, review sheet ClaimVehPPA1029057096, CPA008, cites the Company for failing to have any documentation to support two payments made on the claim. It is not possible to determine if the amount billed was the amount paid. Review sheets ClaimVehPPA1910246468, CPA018, and ClaimVehPPA1932686246, CPA019, cite the Company for failing to include copies of signed releases in the claim files. The Company has responded that there was no expectation that the releases would be

signed or returned. The claim files do not document that the releases were requested without any reason. Concerning ClaimVehPPA1900104258, CPA033, the Company agreed that the claim file failed to document the reason for issuing claims checks to a 9-year-old child and a 10-year-old child. In addition, the Company again sent releases to claimants with no expectation that the release would be returned and no explanation as to why the releases were sent.

- (2a) The violations in this section remain in the Report. Prior to any fact gathering or investigative efforts, ClaimVehPPA489034956, CPA017, the Company advised the insured that medical expense benefits could not be paid directly to the insured. This statement was made absent any knowledge of Medicaid involvement and was therefore incorrect and misleading which led to the violation for misrepresenting medical benefits coverage.

After further review the violation on ClaimVehPPA709002072, CPA132 has been withdrawn.

- (2b) After further review the violations for ClaimVehPPA44190599, CPA013, and ClaimVehPPA182428885, CPA019, have been with withdrawn from the Report.

- (2c) The violation for ClaimVehPPA1411598255, CPA004, remains in the Report. The violation cites the Company for not informing the insured of rental coverage available under Uninsured Property Damage (UMPD) coverage. Rental was pertinent to this claim and therefore the insured should have been informed. To assume it may not be relative to the claim when initial facts indicate otherwise, is contrary to the Regulation.

- (4) The violation for ClaimVehPPA2046838706, CPA075, remains in the Report. The claimant incurred Collision Damage Waiver (CDW) charges which were not paid nor was the claimant ever told that these charges were not reimbursable. Therefore, the Company should have either paid the charges or denied the charges for a valid reason. The Company has since paid \$190.01 but still owes 6% (six percent) simple interest. The same fact scenario applies to ClaimVehPPA1304324118, CPA079, except for the payment which has been included in the restitution spreadsheet.

- (5a) The violation for ClaimVehPPA1952892382, CPA130, has been withdrawn and a new violation has been added to section (5c).

- (5c) The violation for CPA006 and CPA142 have been withdrawn and two new violations have been added to section (5f).

- (5d) The violations in this section remain in the Report. The Company has failed to satisfy the requirements of § 38.2-2201 D of the Code of Virginia by paying the provider without having a valid Assignment of Benefits (AOB). Section 38.2-2201 D requires medical expense benefits payments to be made directly to the injured party unless there is a valid AOB. The files cited in this section did not have valid AOB in file. Therefore, the Company is in violation of 14 VAC 5-400-70 D of the Code of Virginia for paying someone other than the insured.

- (5f) The violation for ClaimVehPPA54214406, CPA010, has been withdrawn from the Report. The violations for CPA046, ClaimVehPPA1408614018, CPA064, as well as CPA066 and CPA133 remain in the Report. The Company applied condition adjustments on these total loss vehicles that were unwarranted and unreasonable.
- (6b) After further review the violation for CPA031 has been withdrawn from the Report.
- (8) The violation for ClaimVehPPA1349642825, CPA016, remains in the Report. The police verified that the other party was at fault but the Company did not attempt to recover the insured's deductible through Arbitration.

The violation for CPA135 remains in the Report. There is nothing in the Company's file to support the Company's conclusion that the claimant could comprehend the terms of the release that she allegedly signed. The medical reports stated, in part, "Rt front-temporal subarachnoid hemorrhage but Lt. front temporal subarachnoid hemorrhage & Lt. parafalcine subdural hematoma are worse. She is bowel/bladder incontinent. Begins speech therapy 7/20. Records note she is unable to communicate in bed, drooling, moaning fidgeting."

- (9) The violation for ClaimVehPPA1474894366, CPA060, remains in the Report. The insured was unaware of the waiver of the deductible until four months post-accident.
- (10) The violation for ClaimVehPPA2127859897, CPA017, remains in the Report. The Company denied Medical Expense Benefits pending settlement of the Uninsured Motorist Bodily Injury (UMBI) coverage.
- (11) The violation for ClaimVehPPA167393529, CPA032, remains in the Report. The notice was not on the estimate. The repair authorization states that "...part not made by the original manufacturer" "may" be included on the estimate. The estimate clearly included after-market parts and therefore the word "may" was not in compliance with the notice required by the statute.
- (12) The violation for ClaimVehPPA948115832, CPA067, remains in the Report. The estimate, written in Virginia, contains a paint cap. The amount of payment by the Company is limited to the amount noted as the paint cap.
- (13) The violations in this section remain in the Report. There is no language in the Medical Expense Benefits form, PP 05 96 01 05, that permits payment of Medical Expense Benefits to anyone other than the insured. Further, §38.2-2201 of the Code of Virginia only allows for limited conditions under which payment can be made to anyone other than the insured, such as Medicare and Medicaid. None of the claims cited in this section were subject to exceptions and all payments should have been made directly to the insureds, not the providers. None of the claims cited in this section included an AOB. Absent a valid AOB, all Medical Expense Benefits are to be paid to the "insured" as defined in the policy.
- (14) The violations in this section remain in the Report. The Company is directed to §38.2-2201 D of the Code of Virginia prohibiting re-pricing under the facts of the claims cited

in this section. The Company should also review §8.01-27.5 wherein in-network providers have a limited number of days to present a claim and therefore may not be entitled to reimbursement even with an AOB.

- (15b) After further review the violations of CPA017, CPA078 and CPA121 have been withdrawn from the Report.

The violation for CPA085 remain in the Report. The Company paid 6% tax when the applicable amount is 4.1%.

Other Law Violations

The violation for CPA142 remains in the Report. The Company sent three checks to three insureds in settlement of three UMBI claims. Each check included full and final release language with no rescission language. The Company later produced a document containing rescission language but the document cannot be identified as related to the claim file or the payments.

Motorcycle Claims

- (1) The violations in this section remain in the Report. The Company has correctly stated that the "...statute requires documentation pertaining to the claim ...". However, the Company suggests that there is no violation in ClaimVehMC159521535, CMC009, even though the Company recognizes that the claim file included "...a misfiled record that had nothing to do with the claim in question..." Concerning the missing release in CMC009, the claim file is not documented regarding the reason for sending a release when there was no expectation that it would be signed and returned.

The violation for ClaimVehMC1166993633, CMC026, remains in the Report. The Company previously advised that the subrogation documents had been "purged". If the Company can produce the missing documents, this violation will be reconsidered.

- (2a) The violations for ClaimVehMC2040838343, CMC008, and ClaimVehMC469659770, CMC011, remain in the Report. The claim files are not documented that Medical Expense Benefits were discussed with the insureds.

- (2b) The violations in this section remain in the Report. The Company's response to ClaimVehMC629714460, CMC006, and ClaimVehMC289979142, CMC008, indicates that the Company has no obligation to advise an insured of applicable coverages. Virginia Regulation 14 VAC5-400-40 clearly states that the Company must advise insureds of their "...benefits, coverages or other provisions (that) are pertinent to a claim." Rental benefits were pertinent to these claims.

- (5) The violations in this section remain in the Report. The Company's response to ClaimVehMC1739942950, CMC011, and ClaimVehMC429704696, CMC013, stated the claims were paid in full. However, the Company paid the providers instead of the insureds. The providers are not party to the Medical Expense Benefits coverage

contract and have no right to the insureds' benefits unless the insured signs valid AOB documents. The claims paid by the Company did not include any AOB's.

- (6) The violation for CMC008 remains in the Report. The Company delayed payment on this claim. The Bureau did not make any reference to bad faith on CMC008 or any other claim reviewed in the examination.
- (8) The violations in this Section remain in the Report. The Company has specifically referenced ClaimVehMC1686430021, CMC011, and ClaimVehMC507413243, CMC013, in its response. The insureds have not "been made whole" because the Company did not pay the insureds but instead paid the providers. The Company is directed to review §38.2-2201 B of the Code of Virginia. Section 38.2-2201 D of the Code of Virginia was revised on July 1, 2013 to include specific language requirements for a valid AOB. The Company cannot pay providers without a valid AOB. Additionally, the insured has the right to revoke the AOB at which time the Company must issue payment directly to the insured for covered medical expenses. The Company should make restitution to the insureds in the amount shown on the restitution spreadsheet.
- (9) The violations in this section remain in the Report. The Company is not permitted to re-price medical bills that have already been re-priced by the health carrier under contract with the provider. The Company should also review §8.01-27.5 wherein in-network providers have a limited number of days to present a claim and therefore may not be entitled to reimbursement even with an AOB.
- (10b) After further review, the violations for CMC002 and CMC041 have been withdrawn from the Report.
- The violations for CMC018, CMC022, CMC040 and CMC041 remain in the Report. The Company overpaid each of these claims either for MEB or taxes.
- (10c) The violation for ClaimVehMC1499368563, CMC007, is attached for the Company.

Commercial Automobile Claims

- (1) The violation for ClaimVehCA919342480, CCA014, remains in the Report. The Company failed to document the reason for investigating non-existent excess coverage prior to the Company accepting UMPD coverage. There were no other files reviewed in this examination where the Company assumed excess coverage might exist. There is no explanation for assuming it existed on this claim.
- (2a) The violation for ClaimVehCA446923980, CCA023, remains in the Report. The insured was uncertain where she wanted to have repairs completed. For this reason, the Company did not believe it was necessary to inform her of the available rental benefits. The Company cannot withhold pertinent available coverage from an insured.
- (2b) The violations for CCA019 remains in the Report. The Company did not inform the insured of rental benefits under UMPD until after the vehicle was already repaired. In

addition, the Company did not inform the insured of his ability to claim down time or lost revenue.

The violation for CCA020 remains in the Report. During the claim, the insured was not informed that UMPD covers a rental vehicle.

- (4a) The violation for ClaimVehCA113730452, CCA019, was withdrawn and moved to review sheet ClaimVehCA797443063.
- (4b) The violations for ClaimVehCA2143404662, CCA006, and ClaimVehCA996489279, CCA019, remain in the Report. The Company paid providers without a valid AOB from the insureds. The providers are not party to the Medical Expense Benefits coverage contract and have no right to insureds' benefits unless the insured sign a valid AOB. The claims paid by the Company did not include any AOB's.
- (4c) The violation for ClaimVehCA0396794489, CCA006, remains in the Report. The insured was not informed that the Company would not pay the CDW expense on a rental vehicle. The insured subsequently incurred this expense. The Company should have informed the insured regarding what was covered and what was not covered prior to the insured picking up the rental vehicle.
- (6a) The violation for ClaimVehCA1499343699, CCA012, was withdrawn and moved to Section (6b), review sheet ClaimVehCA1518718753. The claimant was not informed that the Company would not pay the CDW expense on a rental vehicle. The claimant subsequently incurred this expense. The Company should have informed the claimant regarding what was reimbursable prior to the rental vehicle being obtained.
- (6b) The violation for ClaimVehCA75122185, CCA019, has been withdrawn from the Report. The Company has provided sufficient documentation to support its position.
- (6c) The violation for ClaimVehCA1474291554, CCA014, remains in the Report. The note in the Company's claim file in capital letters and dated 11/24/2015 states " EXPLND WE CANNOT PAY MEDS UNTIL HE SETTLES CLM..." The Company cannot refuse to pay Medical Expense Benefits coverage pending the UMBI settlement.
- (7) The violations for ClaimVehCA1494937338, CCA006, and ClaimVehCA11800151212, CCA019, remain in the Report. The insureds have not "been made whole" because the Company did not pay the insureds but instead paid the providers. The Company is directed to review §38.2-2201 B of the Code of Virginia. The Company cannot pay providers without a valid AOB. Additionally, the insured has the right to revoke the AOB at which time the Company must issue payment directly to the insured for covered medical expenses.
- (8) The violation for ClaimVehCA1490284238, CCA002, remains in the Report. The Company paid Medical Expense Benefits to the passengers in the insured's vehicle, each of whom said they were employed by the insured. The Company's file does not have any information concerning the passenger's eligibility for Workers Compensation and therefore the Company paid these claims without verification of coverage.

The violation for ClaimVehCA180205627, CCA014, remains in the Report. The Company paid the provider \$7318.79 under UMBI. The insured carried \$5000.00 Medical Expense Benefits coverage but the Company did not pay the insured under this coverage. Instead, the Company included the bills in his settlement. An additional violation has been added to the Report for the \$200 UMPD deductible.

Policy Issuance Process Review

New Business Automobile

The violations in this section remain in the Report. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.

Renewal Business Automobile

The violations in this section remain in the Report. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.

New Business Motorcycle

The violations in this section remain in the Report. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.

Renewal Business Motorcycle

- (1) The violations in this section remain in the Report. The Company's policy jacket incorrectly included the Additional Insured - Lessor (PP0319 (08/86)), the Trust Endorsement (PP1303 (01/05)), and the Joint Ownership Coverage -Virginia (PP1353 (01/05), PP1353 (06/15)) endorsements as applicable to every policy. These endorsements are specific to certain scenarios and should not be listed on every policy. These endorsements should only be listed when truly applicable to the policy.
- (2) The violations in this section remain in the Report. The Important Information to Policyholders notice must be provided to the policyholder with each new "or" renewal insurance policy pursuant to § 38.2-305 B of the Code of Virginia. Only providing the notice with the "new" policy issuance does not meet the requirements of the statute. Furthermore, the Companies provided this notice with the automobile new and renewal business, so in attaching this notice only to the new motorcycle policy issuance is inconsistent with how the Companies provided this notice with the automobile policies.

New Business Commercial Automobile

After further review, the violations for MPA018 – MPA020 have been withdrawn from the Report and replaced with a recommendation. The Report has been renumbered to reflect this change.

Renewal Business Commercial Automobile

- (1) After further review, the violations for MPA021 – MPA023 have been withdrawn from the Report and replaced with a recommendation. The Report has been renumbered to reflect this change.
- (2) After further review, the violation for MPA023 has been withdrawn from the Report.

General Statutory Notices

- (1) This violation remains in the Report. While there is no specific language that is required pursuant to § 38.2-604 B of the Code of Virginia, the Company is still required to have notices that comply with the provisions of the statute. The notice that the Company provided did not comply with this statute.
- (2) The violations in this section remain in the Report. The Company's response to review sheet number 1287622436 does not address the violation issue(s) memorialized in the Observation. The Company's Adverse Underwriting Decision (AUD) notice(s) did not advise the insured of the right to know the specific items of information that supported the reason for the AUD and the identity of the source of that information. The AUD also failed to inform the insured of the right to see and obtain copies of documents related to the decision. Finally, the AUD notice(s) failed to advise the insured of the right to request that the information be corrected, amended, or deleted.

Statutory Vehicle Notices

- (1) The violations in this section remain in the Report. As indicated in the Observation of the review sheet that documented this violation, the notice(s) failed to advise the insured of his right to request in writing that the Commissioner of Insurance review the action of the insurer, within 15 days of receipt of the notice.
- (2) The violations in this section have been withdrawn and the Report has been renumbered to reflect this change.

Other Notices

- (1) This violation remains in the Report. The Company's position as argued in Review Sheet NoticesOn 640176968 that correction "includes a deletion or amendment" does not satisfy § 38.2-604 B, 4 in that a description of the rights established under §§ 38.2-608 and 609 must be provided. Only providing a partial description of those rights (correction) does not satisfy the Code cite; the insured must be advised that he has the

right to "correct, amend, or delete" recorded personal information and these rights should be explicitly stated and not left to the insured to assume. Regarding § 38.2-604 B, 5, the Companies cannot use the notice(s) created for § 38.2-604 C as this latter Code cite does not pertain to nor advise of § 38.2-604 B, 5 which states that information obtained from a report prepared by an insurance-support organization may be retained by the insurance-support organization and disclosed to other persons.

- (2) This violation remains in the Report. As noted in the Observation of Review Sheet NoticesON 1475245157, the insured is entitled to the right to know the specific items of information that supports the reason(s) for the AUD and identity of the source of that information. The insured is also entitled to see and obtain copies of documents relating to the decision. Again, as stated immediately above, the insured is entitled to the rights under §§ 38.2-608 and 609 of the Code of Virginia, that he may request that his personal recorded information be "corrected, amended, or deleted", this is broader than simply "corrected" as argued by the Company.
- (3) This violation remains in the Report. A review of the notice, Form 2063 (01/90) indicates that it did not contain the following statement pursuant to § 38.2-2202 B of the Code of Virginia. "The insurer may require that such a request to reduce coverage be in writing". The Company's response to Review Sheet NoticesON 665261202 does not change this fact.

Licensing and Appointment Review

Agency Review

- (1) After further review, the violation for AY082 has been withdrawn and rewritten under review sheet #AgtAgt1293213172.
- (2) After further review, the violations for AY011, AY035, AY043, AY044 and AY047 have been withdrawn and five new review sheets have been added under §38.2-1833.

Agent Review

A violation for AG092 has been added based on the Company's response to AgtAGY155697743, AY082. The Company responded that commissions were paid to a sole proprietor where the status of his license was inactive at the time the policy was written.

These violations remain in the Report. The Company was unable to provide a copy of the application and stated same in its response to Review Sheets 1490731848 and 1813576791.

Complaints

This violation remains in the Report. The Company stated in its response to Review Sheet CRGenCom 1932833887 that the complaint that triggered this violation was not initially included in the complaint record for this market conduct exam because it was

filed under the wrong Progressive insurance company, United Financial Insurance Company. This is an audit, and the fact that the complaint was coded under the wrong company name and not provided does not absolve the Company of this violation.

Part Two – Corrective Action Plan

General

The Companies shall provide a complete Corrective Action Plan (CAP).

Part Three-Recommendations

Rating Review

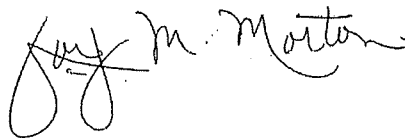
A Recommendation has been added to the Report regarding the discrepancies found with the Companies' insurance credit score calculation.

Policy Issuance

A Recommendation has been added to the Report regarding the UM notice listed under "forms" on the declarations page.

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 November 19, 2018.

Sincerely,



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

Enclosures



Via email and Regular U.S. Mail

December 7, 2018

Joy Morton
Manager, Market Conduct Section
Commonwealth of Virginia
Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219
joy.morton@scc.virginia.gov

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 through March 31, 2017

Dear Ms. Morton,

As we discussed at our meeting in November I am writing with Progressive's response to the revised Market Conduct Examination Report you sent to me on October 25, 2018. At this point, other than a handful of responses to the new Review Sheets, most of our comments are technical in nature.

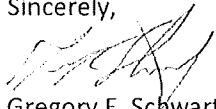
Please consider the following:

- The Bureau requested eight credit score ratings from the Company in your letter dated October 25, 2018. On page 3, Auto New Business paragraph 2f, two credit ratings were requested and on page 5, Auto Renewal Business paragraph 2f, six credit ratings were requested. The Company will provide those records separately via secure electronic delivery early next week.
- Progressive requests that all references to violations of Va. Code §38.2-2201(B) be removed from the Report. While we understand that the remaining references address statements from insureds rather than assignments of benefits, we believe all issues related to that code section should be addressed in the separate Regulatory Action #805.
- Progressive requests that all references to improper vehicle symbols be removed from the Report. Those policies were previously corrected and reported separately.
- Progressive requests that "UM rejection form - Motorcycle New Business, violation RMC004" be removed from the Report. The Company attached the Uninsured Motorist (UM) rejection document as part of its response dated December 15, 2016 during the examination period and believes it was made available to the Bureau.
- Progressive requests that the restitution amount for Review Sheet Number: CPA006 - ClaimVehPPA580211617 be corrected from \$229.24 to \$129.24 (before interest is applied). It appears the amount was entered incorrectly on the restitution spreadsheet.

- New Review Sheets:
 - Review Sheet Number: R&UNBCA1539714552
Company Response: The Company disagrees with this observation and maintains that it has filed with the Commission all applicable rates, supplementary rates, and fees. Thus, the Company asks for this violation to be removed.
 - Review Sheet Numbers: TermFst60PPA1539885515 & TermFst60PPA1533326699
Company Response: The Company disagrees with this observation and asks for it to be removed. The Company has a rule for NSF, but was told not to file it because the BOI considers it to be underwriting. As for the Snapshot Device fee, it was not included in the rule because it is not premium or a fee for the usage of the device. The fee is to cover the loss of Progressive's property if the device is not returned. This is reflected in the "Terms and Conditions" document provided to consumers.
 - Review Sheet Number: TermNPPPA567374237
Company Response: The Company disagrees with this observation and asks for it to be removed. The Company sends notice to the lienholder electronically and maintains its previous position outlined in review sheet number TermNPPPA1447176406.
 - The Company cannot locate new review sheet numbers for Company-Initiated Non-Renewals for Auto Policies but maintains its disagreement with these violations. The Company provided non-renewal notices sent to the lienholders throughout the exam, along with EDS reports confirming electronic delivery. Thus, the Company asks for these new violations to be removed.

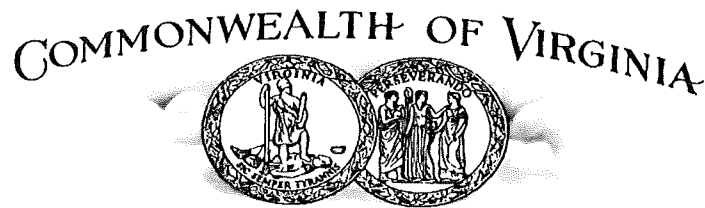
Pending your review of this letter and the requested changes, Progressive desires to begin settlement negotiations with the Bureau toward the goal of concluding the Examination. If you have any questions feel free to contact me.

Sincerely,



Gregory E. Schwartz
Assistant General Counsel
The Progressive Group of Insurance Companies

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

February 19, 2019

VIA EMAIL DELIVERY

Gregory E. Schwartz
Associate General Counsel
Progressive Group of Insurance Companies
6300 Wilson Mills Rd N71B
Mayfield Heights, OH 44143

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC# 11851)
Progressive Direct Insurance Company (NAIC# 16322)
Progressive Gulf Insurance Company (NAIC# 42412)
Progressive Northern Insurance Company (NAIC# 38628)
Progressive Universal Insurance Company (NAIC# 21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Mr. Schwartz:

The Bureau of Insurance (Bureau) has reviewed the December 7, 2018 response to the Preliminary Market Conduct Report (Report) of Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company and Progressive Universal Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

(3e) After further review, the violations for RPA016 and RPA018 have been withdrawn from the Report.

Automobile Renewal Business Rating

(2c) The symbols violations for RPA072, RPA077, RPA078, RPA079, RPA081, RPA085, RPA111, RPA115, RPA117 and RPA119 remain in the Report.

(2f) After further review, all violations in this section have been withdrawn from the Report.

Motorcycle New Business Policies

- (4b) The symbols violations for RMC010, RMC012, RMC013, RMC015 and RMC016 remain in the Report.
- (5) After further review, the violation for RMC004 has been withdrawn from the Report.

Motorcycle Renewal Business Policies

- (2b) The symbols violations for RMC040, RMC047, and RMC050 remain in the Report.

Commercial New Business Rating

- (1) After further review, the violation for RCA016 has been withdrawn from the Report.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY

- (1) After further review, the violation for TPA004 has been withdrawn from the Report. The Report has been renumbered to reflect this change.
- (2) After further review, the violation for TPA004 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

- (2) The violation for TPA038 remains in the Report. The Company responded with a copy of the EDS reports, confirming the date of delivery. However, this violation is due to the Company's failure to retain a copy of the notice sent to the lienholder.

COMPANY INITIATED NON-RENEWALS – AUTOMOBILE POLICIES

The violation for TPA067 remains in the Report. The Company responded with a copy of the EDS reports, confirming the date of delivery. However, this violation was due to the Company's failure to retain a copy of the notice of non-renewal sent to the lienholder.

Private Passenger Automobile Claims

- (5) The underpayment amount of \$229.24 for CPA006 includes two different review sheets. Review sheet ClaimVehPPA580211617 shows an underpayment of \$129.24 for failing to pay the invoiced amount for the rental car and review sheet ClaimVehPPA1517930362 shows an underpayment of \$100.00 for failing to pay a condition adjustment for a newly purchased tire.

- (13) The Medical Expense Benefits (MEB) violations cited remain in the Report. The restitution amount has been removed from the underpayment section and should be included in the restitution reported for Regulatory Action #805.

Motorcycle Claims

- (9) The MEB violations cited remain in the Report. The restitution amount has been removed from the underpayment section and should be included in the restitution reported for Regulatory Action #805.

Commercial Automobile Claims

- (3d) The underpayment amount of \$117.77 for CCA006 is for the Company failing to pay CDW.
- (6) The MEB violations cited in the Report remain in the Report. The restitution amount has been removed from the underpayment section and should be included in the restitution reported for Regulatory Action #805.

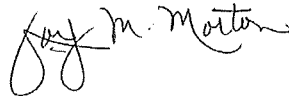
Part Two – Corrective Action Plan

General

The Companies shall provide a complete Corrective Action Plan (CAP).

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.

Sincerely,



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

Enclosures

March 11, 2019

Joy Morton
Manager, Market Conduct Section
Commonwealth of Virginia
Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219
joy.morton@scc.virginia.gov

Via Email Delivery

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Ms. Morton,

We appreciate the opportunity to review and respond to the most recent draft report dated February 19, 2019. We also appreciate the continuing dialogue between Progressive and the Bureau about the medical expense benefits/assignment of benefits ("MEB") issue. As we have discussed, Progressive would like to continue moving toward concluding the Examination.

At this time, other than the MEB issue, Progressive does not have additional substantive comments related to the draft report. We understand that there may be changes to the report after the MEB issue is resolved.

I am attaching a draft corrective action plan ("CAP") which was prepared based on the outline provided by the Bureau in the draft report. The CAP does not include any specifics related to the MEB issue, pending its resolution. I included a placeholder where the details can be added after Progressive and the Bureau have concluded negotiations of the matter. The CAP is being offered for the purposes of settlement negotiations and does not constitute, nor should it be construed as, an admission of any violation of law.

If you have any questions, feel free to contact me.

Sincerely,

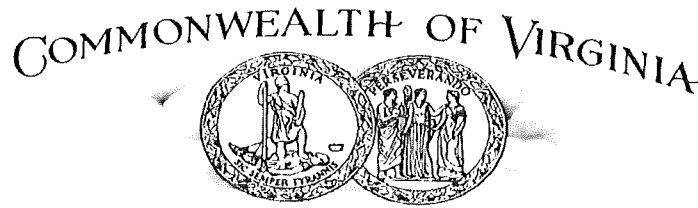
Gregory E. Schwartz

Gregory E. Schwartz
Assistant General Counsel
The Progressive Group of Insurance Companies

cc: Omar Parvaiz, Steve Rosenthal, Rebecca Nichols, Bonnie Salzman, Donnie Kidd

attachments

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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April 17, 2019

DELIVERY VIA EMAIL

Gregory E. Schwartz
Associate General Counsel
Progressive Group of Insurance Companies
6300 Wilson Mills Rd N71B
Mayfield Heights, OH 44143

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC# 11851)
Progressive Direct Insurance Company (NAIC# 16322)
Progressive Gulf Insurance Company (NAIC# 42412)
Progressive Northern Insurance Company (NAIC# 38628)
Progressive Universal Insurance Company (NAIC# 21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Mr. Schwartz:

The Bureau of Insurance (Bureau) has reviewed the March 11, 2019 response to the Preliminary Market Conduct Report (Report) of the above referenced companies. The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART TWO-CORRECTIVE ACTION PLAN

General

The response was submitted with a watermark, this is unacceptable as the document attaches to and becomes a part of the published document and we need the companies' actual response and not a draft copy of the response.

The Corrective Action Plan is not complete without the dates that the corrective actions were made or will be made to the processes that were not compliant at the time of the examination. Please add the dates for the changes to your response.

Claims

The restitution on the following files is not complete:

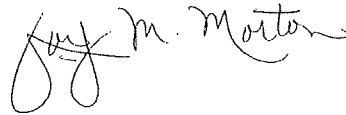
CPA013, the company failed to pay the interest on this file. The insured is still owed \$1.12.

CPA133, the company paid \$66.18 less than the amount the Bureau indicated was owed on this file. The response did not indicate a reason for the difference in the payment.

Please either make the outstanding underpayments or provide documentation to support your reason for not making the payments.

Once we have received and reviewed the Companies' response to these items, we will be in a position to make a settlement offer. We look forward to your response by May 1, 2019.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first and last names being more prominent than the middle initial.

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

May 1, 2019

Joy Morton
Manager, Market Conduct Section
Commonwealth of Virginia
Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219
joy.morton@scc.virginia.gov

Via Email and Regular U.S. Mail

Re: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Ms. Morton,

Thank you for your letter of April 17, 2019. I have reviewed your requests and updated the Companies' corrective action plan ("CAP") accordingly. A copy of the plan is attached for your review.

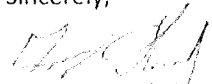
Most of the issues raised during the exam have been completed. I have noted the ones that still require attention including when the Companies plan to initiate corrections. I left the placeholder for the MEB issue as I continue to work through the details with Mr. Kidd. I removed the watermark on the plan but please note the Companies still consider it to be a draft pending resolution of the MEB issue.

The Companies have issued additional payments for the claims restitution as you requested. The insured was sent an additional \$1.12 for file CPA013. An additional \$66.18 was sent on file CPA133. I have attached an updated copy of the restitution file.

The CAP is being offered for the purposes of settlement negotiations and does not constitute, nor should it be construed as, an admission of any violation of law.

If you have any questions, feel free to contact me.

Sincerely,



Gregory E. Schwartz
Assistant General Counsel
The Progressive Group of Insurance Companies

cc: Omar Parvaiz, Steve Rosenthal, Rebecca Nichols, Bonnie Salzman, Donnie Kidd

attachments

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

August 26, 2019

VIA E-MAIL DELIVERY

Gregory E. Schwartz
Associate General Counsel
Progressive Group of Insurance Companies
6300 Wilson Mills Road, N71B
Mayfield Heights, OH 44143

RE: Market Conduct Examination
Progressive Advanced Insurance Company (NAIC #11851)
Progressive Direct Insurance Company (NAIC #16322)
Progressive Gulf Insurance Company (NAIC #42412)
Progressive Northern Insurance Company (NAIC #38628)
Progressive Universal Insurance Company (NAIC #21727)
Examination Period: April 1, 2015 through March 31, 2016

Dear Mr. Schwartz:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of May 1, 2019. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company, and Progressive Universal Insurance Company (Report).

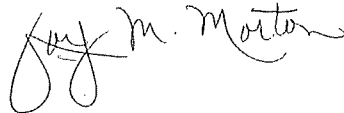
Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-231 A, 38.2-231 C, 38.2-231 F, 38.2-305 A, 38.2-305 B, 38.2-510 A 6, 38.2-510 C, 38.2-511, 38.2-604 B, 38.2-610 A, 38.2-1318 C, 38.2-1809 B, 38.2-1822, 38.2-1833, 38.2-1905 A, 38.2-1906 A, 38.2-1906 D, 38.2-2201 B, 38.2-2201 D, 38.2-2202 A, 38.2-2206, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E and 38.2-2220 of the Code of Virginia; and 14 VAC 5-400-30 C, 14 VAC 5-400-40 A, 14 VAC 5-400-60 B, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

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

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

Sincerely,

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

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

JMM/pgh
Enclosure

September 19, 2019

Rebecca Nichols
Deputy Commissioner
Property and Casualty
Bureau of Insurance
Tyler Building
1300 E. Main Street
Richmond, VA 23219

Via Overnight Delivery
FedEx Tracking Number: 7762 8142 7136

Re: **Market Conduct Examination Settlement Offer**
Ecase/Docket Number: INS-2019-00118

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated August 30, 2019, concerning the above-referenced matter.

We wish to make a settlement offer on behalf of the insurance Companies listed below for the alleged violations of Sections 38.2-231 A, 38.2-231 C, 38.2-231 F, 38.2-305 A, 38.2-305 B, 38.2-510 A, 38.2-510 C, 38.2-511, 38.2-604 B, 38.2-610 A, 38.2-1318 C, 38.2-1809 B, 38.2-1822, 38.2-1833, 38.2-1905 A, 38.2-1906 A, 38.2-1906 D, 38.2-2201 B, 38.2-2201 D, 38.2-2202 A, 38.2-2206, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E and 38.2-2220 of the Code of Virginia; and 14 VAC 5-400-30 C, 14 VAC 5-400-40 A, 14 VAC 5-400-60 B, and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

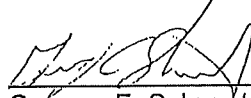
1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$99,000.
2. We agree to comply with the corrective action plan set forth in the Companies' letters of December 7, 2018, March 11, 2019, and May 1, 2019.
3. We confirm the restitution was made to 165 consumers for \$36,032.34 in accordance with the Companies' letters of December 4, 2017, December 7, 2018, March 11, 2019, and May 1, 2019.
4. We further acknowledge the Companies' 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.

PROGRESSIVE

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,

Progressive Advanced Insurance Company
Progressive Direct Insurance Company
Progressive Gulf Insurance Company
Progressive Northern Insurance Company
Progressive Universal Insurance Company

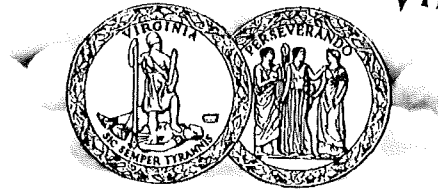


Gregory E. Schwartz
Associate General Counsel
The Progressive Group of Insurance Companies

September 19, 2019

Enclosure

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company, and Progressive Universal Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$99,000 by their check numbered 602119403 and dated September 18, 2019, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, OCTOBER 9, 2019

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2019 OCT -9 A 8:38

2019 OCT 9 8:38

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2019-00118

PROGRESSIVE ADVANCED INSURANCE COMPANY,
PROGRESSIVE DIRECT INSURANCE COMPANY,
PROGRESSIVE GULF INSURANCE COMPANY,
PROGRESSIVE NORTHERN INSURANCE COMPANY,
PROGRESSIVE UNIVERSAL INSURANCE COMPANY,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Gulf Insurance Company, Progressive Northern Insurance Company, and Progressive Universal Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated §§ 38.2-231 A, 38.2-231 C, 38.2-231 F, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, and 38.2-2212 E, of the Code of Virginia ("Code") by failing to properly terminate insurance policies; § 38.2-305 A of the Code by failing to provide the information required by statute in the insurance policy; §§ 38.2-305 B, 38.2-604 B, 38.2-610 A, and 38.2-2202 A of the Code by failing to accurately provide the required notices to insureds; § 38.2-511 of the Code by failing to maintain a complete complaint register; § 38.2-1318 C of the Code by failing to provide convenient access to files, documents, and records; § 38.2-1809 B of the Code by failing to retain insurance transaction records for three previous calendar years; § 38.2-1822 of the Code

by knowingly permitting a person to act as an agent without first obtaining a license in the manner and form prescribed by the Commission; § 38.2-1833 of the Code by paying commissions to agencies/agents that were not appointed by the Defendants; § 38.2-1905 A of the Code by increasing an insured's premium under a safe driver insurance plan where the accident was not caused by the named insured; § 38.2-1906 A of the Code by failing to file all rates and supplementary rate information with the Commission; § 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 Defendants; § 38.2-2206 of the Code by failing to obtain a signed rejection of higher uninsured motorist limits; § 38.2-2220 of the Code by failing to use forms in the precise language of standard forms previously filed and adopted by the Commission; §§ 38.2-510 A (6), 38.2-510 C, 38.2-2201 B, 38.2-2201 D of the Code and 14 VAC 5-400-30 C, 14 VAC 5-400-40 A, 14 VAC 5-400-60 B, and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices ("Rules"), 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 Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in company correspondence dated December 7, 2018, March 11, 2019 and May 1, 2019,

confirmed that restitution was made to 165 consumers in the amount of Thirty-six Thousand Thirty-two Dollars and Thirty-four Cents (\$36,032.34), have tendered to Virginia the sum of Ninety Nine Thousand Dollars (\$99,000), and have waived the right to a hearing.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants 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 Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.
- (2) The 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: Gregory E. Schwartz, Associate General Counsel, Progressive Group of Insurance Companies, 6300 Wilson Mills Road, N72, Mayfield Village, Ohio 44143; 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.