

MARKET CONDUCT EXAMINATION REPORT

OF

ROOT INSURANCE COMPANY

AS OF

June 30, 2020

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

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Melody S. Morrissette, Senior Insurance Market Examiner of the Bureau of Insurance (Bureau), do hereby certify that the annexed copy of the Market Conduct Examination Report of Root Insurance Company as of June 30, 2020, conducted at the Bureau's office in Richmond, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2023-00014 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 28th of April, 2023.

A handwritten signature in cursive script, reading 'Melody Morrissette'.

Examiner in Charge

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EXECUTIVE SUMMARY

The examination included a detailed review of Root Insurance Company's private passenger automobile line of business written in Virginia for the period beginning July 1, 2019 and ending June 30, 2020. This review pertained to rating and underwriting, policy terminations, claims handling, forms, policy issuance, statutory notices, agent/agency licensing, and complaint-handling.

The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis. The company started writing business in Virginia in 2019. This is the first Market Conduct Examination the Virginia Bureau of Insurance (Bureau) has performed on the company.

The examination revealed violations that were significant. There were 767 total violations in this Report. The bulk of these were the 519 violations found in the rating area. There were 121 terminations violations and 103 claims violations, which included four general business practices (GBP). There were no violations found in the agent/agency licensing and complaint handling areas.

There were two forms violations, six violations in the area of policy issuance, and 16 violations in the area of notices.

The Corrective Action Plan (CAP) for rating and underwriting requested that the company specify required information in the policy accurately, properly represent coverage limits and facts about other insurers' transactions, cease cancelling insureds' prior policies, provide a written Adverse Underwriting Decision (AUD) notice to insureds, provide convenient access to files, documents and records, provide the Accident Point Surcharge notice to insureds, file all rates and supplementary rate information with the Bureau, use the rules and rates filed with the Bureau, obtain signed written rejections of higher Uninsured Motorist (UM) limits, and provide the Credit Adverse Action notice to

insureds.

The CAP for terminations requested that the company provide a written AUD notice to insureds, provide accurate termination data files, calculate return premium correctly, obtain and retain valid proof of mailing termination notices, send cancellation notices to insureds, advise insureds of the right to review by the Commissioner of Insurance, and advise insureds of the availability of other insurance.

The claims CAP requested that the company disclose all applicable coverages to the insured, offer the insured a fair and reasonable amount, properly represent pertinent facts or coverage at issue, and include a correct statement of coverage under which payments are made with all claim payments made to insureds. The company was also requested to conduct an internal audit of Uninsured Motorist Property Damage (UMPD) claims for a three-year period. In the areas of forms, the company was advised to use the required standard automobile forms adopted by the Bureau.

The CAP for policy issuance requested that the company specify required information in the policy accurately and provide the written offer of rental reimbursement coverage. In the areas of notices, the company was requested to correct/develop the following notices: long form Information Collection and Disclosure Practices, Financial Information Collection and Disclosure Practices, Adverse Underwriting Decision, Accident Point Surcharge, 60-Day Cancellation Warning, and Insurance Credit Score Disclosure. The company was also requested to properly represent the return premium calculation on its application.

Finally, the CAP requested that the company make restitution of \$10,798.11 to 56 consumers.

INTRODUCTION

Pursuant to the authority of § 38.2-1317.1 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile line of business written by Root Insurance Company at the office of the State Corporation Commission, Bureau of Insurance, in Richmond, Virginia.

The examination commenced October 26, 2020 and concluded November 11, 2021. Brandon Ayers, William Felvey, NuDasha Fludd, Dan Koch, Melody Morrissette, Latitia Orange, and Gloria Warriner, examiners of the Bureau of Insurance, and Andrea Baytop, 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 July 20, 2020 and was assigned the Action Number of VA-VA177-16. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILE

Root Insurance Company (“RIC” or “the Company”) is an Ohio domiciled direct-to consumer personal lines property and casualty insurance company, which is a wholly owned subsidiary of Caret Holdings, Inc., formally known as Root, Inc., a Delaware holding company and wholly owned by Root, Inc., formally known as Root Stockholdings, Inc., a Delaware corporation. As of October 2020, Root, Inc. is a publicly traded entity, listed on NASDAQ under the ticker symbol ROOT.*

RIC was incorporated under the laws of Ohio on December 11, 1998 and commenced business on April 29, 1999.**

*Source: Root Insurance Company

**Source: Best's Insurance Reports, Property & Casualty, 2021 Edition

The table below indicates when the company was licensed in Virginia and the line of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized on October 31, 2018.

ROOT INSURANCE COMPANY	
NAIC Company Number	10974
LICENSED IN VIRGINIA	10/31/2018
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	
Burglary and Theft	
Commercial Multi-Peril	
Credit	
Fidelity	
Fire	
General Liability	
Glass	
Homeowners Multi-Peril	
Inland Marine	
Miscellaneous Property	
Ocean Marine	
Surety	
Water Damage	
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2020 for the line of insurance included in this examination.* The company is a direct writer without an agency system.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Root Insurance Company		
Private Passenger Automobile Liability	\$4,279,248	.13%
Private Passenger Automobile Physical Damage	\$1,627,693	.06%

*Source: The 2020 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's private passenger automobile line of business written in Virginia for the period beginning July 1, 2019 and ending June 30, 2020. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance[†], statutory notices, agent/agency licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest.

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 laws that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued in Virginia. The Other Law Violations portion of Part One notes violations of other related laws that apply to insurers.

In Part Two, the Corrective Action Plan identifies the violations that are subject to a monetary penalty.

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

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

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

STATISTICAL SUMMARY

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

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

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

**Population
Sample Requested**

AREA	RIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
Private Passenger Auto						
New Business ¹	<u>5552</u> 50	<u>5552</u> 50	49	0	49	100%
Renewal Business ¹	<u>958</u> 25	<u>958</u> 25	24	0	23	96%
Co-Initiated Cancellations ²	<u>169</u> 28	<u>169</u> 28	18	0	16	89%
All Other Cancellations ³	<u>2317</u> 51	<u>2317</u> 51	56	0	43	77%
Nonrenewals ⁴	<u>11</u> 11	<u>11</u> 11	15	0	15	100%
Rejected Applications	<u>2145</u> 10	<u>2145</u> 10	10	0	10	100%
Claims						
Auto ⁵	<u>1690</u> 134	<u>1690</u> 134	130	0	60	46%
Footnote ¹ - One file was not reviewed.						
Footnote ² - Six files were moved to the Nonpayment category and four files were moved to the Non-renewal category.						
Footnote ³ - One Nonpayment file was not reviewed. Six files were added from the Over 60 category.						
Footnote ⁴ - Four files were added from the Over 60 category.						
Footnote ⁵ - One file was a duplicate claim and not reviewed. Three files were completely handled by the claimant's insurer and not reviewed.						

PART ONE – THE EXAMINERS’ OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The examiners reviewed 49 new business policy files. During this review, the examiners found overcharges totaling \$2,069.00 and undercharges totaling \$2,395.08. The net amount that should be refunded to insureds is \$2,069.00 plus six percent (6%) simple interest.

- (1) The examiners found 135 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy.
 - a. In 50 instances, the company failed to specify the Towing and Labor premium and which vehicles had Medical Expense Benefits (MEB) coverage on the declarations page.
 - b. In 19 instances, the company failed to list all applicable forms on the declarations page.
 - c. In 66 instances, the company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found 71 violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions or terms of the policy. The company misrepresented the following: Transportation Expenses and Towing and Labor coverage limits on the declarations page, whether the insured submitted the request for cancellation to the prior insurer, a guarantee for the

- cancellation effective date of the insured's prior policy, and the amount of time other insurers take to cancel policies.
- (3) The examiners found seven violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.
 - (4) The examiners found two violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide the complete policy file.
 - (5) The examiners found five violations of § 38.2-1905 A of the Code of Virginia. The company failed to provide the Accident Point Surcharge Notice to the insured.
 - (6) The examiners found 50 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 including fees.
 - (7) The examiners found 69 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 25 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In ten instances, the company failed to apply the correct surcharge for at-fault accidents and convictions under a Safe Driver Insurance Plan (SDIP).
 - c. In five instances, the company failed to use the correct symbol and/or model year factor.
 - d. In six instances, the company failed to use the correct tier eligibility criteria.
 - e. In nine instances, the company failed to use the correct classification factors.

- f. In 14 instances, the company failed to use the correct base and/or final rates.
- (8) The examiners found seven violations of § 38.2-2206 A of the Code of Virginia. The company failed to obtain a written rejection of higher UM limits when issuing a policy with UM limits lower than the Liability coverage limits.
- (9) The examiners found 31 violations of § 38.2-2234 A 2 of the Code of Virginia. The company failed to provide the Credit Adverse Action notice to the insured.
- (10) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to use the appropriate insurance credit score when rating the policy.
- (11) The examiners found one violation of § 38.2-2234 E of the Code of Virginia. The company failed to provide evidence that the insurance credit score information was obtained within 90 days before the new business effective date.

Automobile Renewal Business Policies

The examiners reviewed 24 renewal business policy files. During this review, the examiners found overcharges totaling \$433 and undercharges totaling \$444. The net amount that should be refunded to insureds is \$433 plus six percent (6%) simple interest.

- (1) The examiners found 68 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy.
 - a. In 23 instances, the company failed to show the Towing and Labor premium on the declarations page.
 - b. In 15 instances, the company failed to list all applicable forms on the declarations page.
 - c. In 30 instances, the company listed forms on the declarations page that were not applicable to the policy.

- (2) The examiners found 31 violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions or terms of the policy. The company misrepresented the following: Transportation Expenses and Towing and Labor coverage limits on the declarations page, whether the insured submitted the request for cancellation to the prior insurer, a guarantee for the cancellation effective date of the insured's prior policy, and the amount of time other insurers take to cancel policies.
- (3) The examiners found 23 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 including fees.
- (4) The examiners found 16 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 four instances, the company failed to use the correct discounts and/or surcharges.
 - b. In four instances, the company failed to apply the correct surcharge for at-fault accidents and convictions under the SDIP.
 - c. In one instance, the company failed to use the correct symbol and/or model year factor.
 - d. In one instance, the company failed to use the correct classification factors.
 - e. In two instances, the company failed to use the correct base and/or final rates.
 - f. In four instances, the company used a rate cap not filed with the Bureau.
- (5) The examiners found two violations of § 38.2-2234 A 2 of the Code of Virginia. The company failed to provide the Credit Adverse Action notice to the insured.

TERMINATION REVIEW

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

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

The examiners reviewed 17 automobile cancellations that were initiated by the company where the company mailed the notices prior to the 60th day of coverage in the initial policy period. During this review, the examiners found overcharges totaling \$15 and no undercharges. The net amount that should be refunded to insureds is \$15 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.
- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide accurate population data files.
- (3) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (4) The examiners found 11 violations of § 38.2-2208 A of the Code of Virginia.
 - a. In eight instances, the company failed to obtain valid proof of mailing the cancellation notice to the insured.
 - b. In three instances, the company failed to retain proof of mailing the cancellation notice to the insured.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed one automobile cancellation that was initiated by the company where the company mailed the notice on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

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

All Other Cancellations – Automobile PoliciesNONPAYMENT OF THE PREMIUM

The examiners reviewed 30 automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$61.98 and undercharges totaling \$92.00. The net amount that should be refunded to insureds is \$61.98 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy.
- (2) The examiners found eight violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide accurate population data files.
- (3) The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

- (4) The examiners found 21 violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (5) The examiners found 19 violations of § 38.2-2212 E of the Code of Virginia.
- a. In three instances, the company failed to send the cancellation notice to the insured.
 - b. In eight instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
 - c. In eight instances, the company failed to advise the insured of the availability of other insurance.

REQUESTED BY THE INSURED

The examiners reviewed 26 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found overcharges totaling \$34.00 and undercharges totaling \$469.84. The net amount that should be refunded to insureds is \$34.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy.
- (2) The examiners found 12 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Rejected Applications – Automobile Policies

The examiners reviewed ten automobile insurance applications for which the company declined to issue a policy.

The examiners found ten violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the applicant with written notice of an AUD.

Company-Initiated Non-renewals – Automobile Policies

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

- (1) The examiners found four violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide accurate population data files.
- (2) The examiners found 15 violations of § 38.2-2208 A of the Code of Virginia.
 - a. In 11 instances, the company failed to obtain valid proof of mailing the nonrenewal notice to the insured.
 - b. In four instances, the company failed to retain valid proof of mailing the nonrenewal notice to the insured.

Other Law Violations

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

CLAIMS REVIEW**Private Passenger Automobile Claims**

The examiners reviewed 130 automobile claims for the period of July 1, 2019 through June 30, 2020. 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 \$1,140.00 and underpayments totaling \$7,271.65. The net amount that should be paid to claimants is \$7,271.65 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found 22 violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages, or provisions of an insurance policy to the insured.
 - a. In one instance, the company failed to fully disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
 - b. In 21 instances, the company failed to fully disclose the rental benefits available under the UMPD coverage and/or Underinsured Motorist (UIM) 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 5-400-70 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.
- (4) The examiners found 19 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 12 instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
- b. In four instances, the company failed to pay the insured's UMPD claim, including rental benefits properly.
- c. In two instances, the company failed to pay the insured's Transportation Expenses claim properly.
- d. In one instance, the company failed to pay the insured's Towing and Labor claim properly.

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

- (5) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide a copy of the repair estimate to the insured.
- (6) The examiners found five violations of 14 VAC 5-400-80 I. The company failed to provide a reasonable time for the vehicle owner to receive payment for vehicle repairs or replacement before terminating payment for rental expenses.
 - a. In three instances, the company terminated the insured's Transportation Expenses coverage.
 - b. In two instances, the company terminated the claimant's rental benefits.
- (7) The examiners found one violation of § 38.2-236 A of the Code of Virginia. The company failed to send the claimant's attorney or other representative a copy of the claimant's notice regarding the settlement payment.
- (8) The examiners found 12 violations of § 38.2-510 A 1 of the Code of Virginia. The

company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.

- a. In 11 instances, the company misrepresented its obligations relating to policy provisions.
- b. In one instance, the company misrepresented its obligations relating to the claimant's rental or loss of use claim.

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

- (9) The examiners found two 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.
- (10) 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 unreasonably delayed the settlement of a claim.
 - b. In one instance, the company failed to pay the claimant's rental.
- (11) The examiners found 27 violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or the insured's beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

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

- (12) The examiners found one violation of § 38.2-2206 A of the Code of Virginia. The company failed to properly apply the UM deductible.
- (13) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy. The company paid the insured more than the insured was entitled to receive under the terms of the policy.

FORMS REVIEW

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

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

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

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

The examiners found two violations of § 38.2-2220 of the Code of Virginia. The company failed to have mandatory standard automobile forms available for use.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

POLICY ISSUANCE PROCESS REVIEW

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

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

Automobile Policies

The company provided five new business policies sent on the following dates: August 15, 19, 20, and 26, 2020. In addition, the company provided five renewal business policies sent on the following dates: August 13, 16, 22, 23, and 26, 2020.

NEW BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-305 A of the Code of Virginia. The company failed to specify, in the insurance policy, all of the information required by the statute. The company failed to attach all necessary forms to the policy.
- (2) The examiners found one violation of § 38.2-2206 A of the Code of Virginia. The company failed to obtain a written rejection of higher UM limits when issuing a policy with UM limits lower than the Liability coverage limits.

RENEWAL BUSINESS POLICIES

The examiners found two violations of § 38.2-2230 of the Code of Virginia. The company failed to provide the rental reimbursement coverage notice as required

by the statute.

STATUTORY NOTICES REVIEW

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

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

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

General Statutory Notices

- (1) The examiners found three 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 three violations of § 38.2-604.1 B of the Code of Virginia. The company's Notice of Financial Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (3) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to have an AUD notice containing substantially similar language

as that of the prototype set forth in Administrative Letter 2015-07.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-1905 A of the Code of Virginia. The company failed to have an Accident Point Surcharge Notice available for use.
- (2) The examiners found one violation of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60-day Cancellation Warning notice on or attached to the application.
- (3) The examiners found one violation of § 38.2-2234 A 1 of the Code of Virginia. The company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.

Other Notices

The company provided copies of 12 other notices (including applications) that were used during the examination period.

The examiners found five violations of § 38.2-502 1 of the Code of Virginia. The company included information on its application that misrepresented the calculation of return premium.

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 B of the Code of Virginia. The company failed to include the fraud statement on claim forms required by the company as a condition of payment.

LICENSING AND APPOINTMENT REVIEW

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

Agency

The company did not use agencies during the examination period.

Agent

The company did not use agents during the examination period.

COMPLAINT-HANDLING PROCESS REVIEW

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

The examiners found no violations in this area.

PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The company provided its written 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 violations of the unfair claims handling statutes and regulations. 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

Root Insurance Company shall:

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

Rating and Underwriting Review

Root 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 overcharges as of the date the error first occurred.
- (2) Include six percent (6%) interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the attached Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the spreadsheet.

- (4) Specify required information in the policy accurately. Particular attention should be focused on coverage premiums and applicable forms properly shown on the declarations page.
- (5) Properly represent the benefits, coverage, advantages, and conditions of the policy by displaying the correct Transportation Expenses limit, Towing and Labor limit per disablement, and cease misrepresenting itself as the insured to cancel the prior policy.
- (6) Provide the insured with a written notice of an AUD.
- (7) Provide convenient access to files, documents, and records relating to the examination.
- (8) Provide the Accident Point Surcharge notice when the policy has been surcharged for an at-fault accident.
- (9) File all rates and supplementary rate information with the Bureau.
- (10) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, SDIP points for at-fault accidents and convictions, symbols, tier eligibility, base and/or final rates, classification factors, and rate caps.
- (11) Obtain signed written rejections of higher UM Limits.
- (12) Provide the Credit Adverse Action notice as required by § 38.2-2234 A 2 of the Code of Virginia.

Termination Review

Root 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 Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the spreadsheet.
- (4) Provide the insured or applicant with a written notice of an AUD as required by statute.
- (5) Maintain accurate data population files.
- (6) Calculate return premium according to the filed rules and policy provisions.
- (7) Obtain and retain valid proof of mailing the cancellation and nonrenewal notice to the insured.
- (8) Send the cancellation notice to the insured.
- (9) Advise the insured of the right to review by the Commissioner of Insurance.
- (10) Advise the insured of the availability of other insurance.

Claims Review

Root Insurance Company shall:

- (1) Correct the errors that caused the underpayments 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 attached Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has paid the underpayments listed in the spreadsheet.
- (4) Document the claim file that all applicable coverages have been fully disclosed to

- the insured. Particular attention should be given to rental benefits under UMPD and Transportation Expenses coverage.
- (5) 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.
 - (6) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
 - (7) Include a correct statement of coverage under which payments are made with all claim payments made to insureds.
 - (8) Conduct an internal audit of all UM claims for three preceding years.

Forms Review

Root Insurance Company shall:

Use the required standard automobile forms filed and adopted by the Bureau.

Policy Issuance Process Review

Root Insurance Company shall:

- (1) Specify the required information in the policy by attaching all the applicable forms.
- (2) Provide the insured a written offer of Transportation Expenses coverage when the policy has Other Than Collision or Collision coverage.

Statutory Notices Review

Root Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

- (2) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.
- (3) Develop an AUD notice that complies with the requirements of § 38.2-610 A of the Code of Virginia and Administrative Letter 2015-07.
- (4) Develop an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia.
- (5) Provide the 60-day Cancellation Warning notice on the application to comply with § 38.2-2210 A of the Code of Virginia.
- (6) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.
- (7) Properly represent the return premium calculation.

PART THREE – RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

RECOMMENDATIONS

We recommend that the company take the following actions:

Rating and Underwriting

- Update the filed Rule/Rate manual regarding installment fees. The company does not charge a fee to the renewal down payment.
- Update the filed Rule/Rate Manual to state that return premium is calculated using the pro-rata method.
- Update the filed Rule/Rate Manual regarding the Royce Independence Factor (RIF). The RIF is only calculated when the driver has an UBI Score calculated from telematics data. If the driver is in the test drive phase, then no RIF is developed.
- Update the filed Rule/Rate Manual by stating the type of violations that would be surcharged under the LIC and suspension/revocation category.
- Obtain specific documentation for the Accident Prevention Course Discount as stated by the statute.
- Verify that all Medical Expense and Income Loss Benefits limits are the same across all vehicles listed on the policy.
- Update the filed Rule/Rate Manual to state how the Prior Insurance Classification rule applies to renewals. The rule only refers to newly written policies.
- Update the filed Rule/Rate Manual to remove the last sentence of Rule P09 Prior Insurance Classification. The company still applies Previous, Continuous, and Cancellation factors when the insured is in class C or N.
- Update the filed Rule P09 Prior Insurance Classification to specify prior policy information is used when the insured was a primary or listed driver.

- Update the filed Rule/Rate Manual to properly classify the Financial Responsibility categories.
- Update the filed Rule/Rate Manual to properly classify the Continuous Insurance Discount. The company should label this as a surcharge, this factor is not a discount to the insured.
- Update the filed Rule P15 Continuous Insurance Discount. The company is only using the immediate prior policy. The company's implementation is more in line with the specifications of the Previous Carrier rule.
- Update the filed Rule P15 Continuous Insurance Discount. The rule should specify how it applies to renewal policies. The rule should specify whether the company uses the date of quote or renewal quote.
- Update the filed Rule P19 Previous Carrier. The rule should specify that the company calculates from the prior insurance inception date to the cancel date or quote date, whichever is earlier.
- Update the filed Rule P19 Previous Carrier. The company should specify if the company uses the date of quote or renewal quote date for renewals. The rule should also state that the company calculates the time between policies regardless of any lapse in coverage.
- Update the filed Rule P21 Summary of Coverage Abbreviations. The company should delete "Loan/Lease and Additional Custom Parts and Equipment" from the rule and the entire manual. The company does not offer this coverage.
- Update the filed Rule P30 Homeowners Factors. The company should delete "The Company may take reasonable steps to verify this information."
- Update the filed Rule P31 Underwriting Tier. The company should redefine "No Use" as the statement in the rule is not accurate. The company determined the UW Tier for every driver on all the policies.
- Update the filed Rule P32 Driver Assignment. The company should delete UBI Tier from the "Highest Rated" formula since it is not a factor calculated by the manual; a factor of 1.00 is used.
- Update the filed Rule P32 Driver Assignment. The company must address how each driver's points are only assigned to the car they customarily operate while each driver is assigned to a unique vehicle for other driver factors/discounts.

- Update the filed Rule/Rate Manual and delete LOAN from the base rate page and all Exhibit rate tables. The company does not offer this coverage.
- Update the filed Rule/Rate Manual regarding their Rate Order of Calculation sheet. The company should delete LOAN coverage.
- Update the filed Rule/Rate Manual regarding the Rate Order of Calculation sheet. The company should specify that it averages all the Points, Luxury factors, and VIN vehicle or Symbol Character factors for the UM premium. The company only calculates one UM premium for the policy, regardless of the number of insured vehicles.
- Update the filed Rule/Rate Manual regarding the Rate Order of Calculation sheet. The Company has a special determination when the policy has a mixture of vehicles with VIN Vehicle and Symbol factors for the UM premium calculation.
- Update the filed Rule/Rate Manual to remove UBI Tier factors from Exhibit 2 and 3 rate tables.
- Update the filed Rule/Rate Manual to change rating factors for 0 points to 1.00 in Exhibit 5 Violation Point Factor.
- Update the filed Rule/Rate Manual to delete Exhibit 8 UBI Tier Factors since all factors are 1.00.
- Update the filed Rule/Rate Manual to remove the daily limits shown for Transportation Expenses coverage under Exhibit 13 Limit/Deductible Factor.
- Update the filed Rule/Rate Manual to add a plus sign (+) to the '20 Veh Age' value for all coverages under Exhibit 18 Vehicle Age.
- Update the filed Rule/Rate Manual to delete the ACPE factors and Loan factors from Exhibit 27 Safe Driver Discount page.

Terminations

- Update the filed Rule/Rate Manual to indicate that installment fees are only charged when a payment is collected.

Claims

- Document the claim file so that all events and dates pertinent to the claim can be reconstructed.
- Provide a reasonable time after the vehicle damage payment has been made before terminating payment for rental car expenses.
- Adopt and implement reasonable standards for the prompt investigation of claims.
- Make prompt and fair settlement of a claim in which liability is clear.

Notices

- Add "Suite 500" to the company's address on the Important Information Regarding Your Insurance notice.
- Update the telephone number for the Bureau of Insurance to 1.877.310.6560 on the Important Information Regarding Your Insurance notice.
- Remove the Bureau's TDD number from the Important Information Regarding Your Insurance notice.
- Update the local telephone number for the Bureau of Insurance to 804.371.9185.
- The company's online private passenger auto application should state "Other Than Collision" instead of "Comprehensive".
- Revise the term "Medical Payments" to read "Medical Expense Benefits".
- Change the Virginia Important Notice Regarding Healthcare and Disability Benefits Coverage title to Virginia Important Notice Regarding Medical Expense Benefits Coverage.
- Revise the Virginia Important Notice Regarding Uninsured Motorists Coverage title to state "Important Notice" as found in the statute.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first market conduct examination the Bureau has performed of Root Insurance Company.

ACKNOWLEDGEMENT

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

Sincerely,

A handwritten signature in black ink, appearing to read "Melody M. Mason". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA



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

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January 14, 2022

VIA E-MAIL DELIVERY

David Fogarty
Root Insurance Company
80 East Rich Street, Suite 500
Columbus, OH 43215
david.fogarty@joinroot.com

RE: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Fogarty:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of Root Insurance Company for the period of July 1, 2019 through June 30, 2020. The preliminary examination report (Report) has been drafted for the company's review.

Attached with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn, or revised since November 11, 2020. Also attached are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Due to the number of Virginia insurance law violations cited, I would urge you to closely review the Report. Please provide a written response. The company does not need to respond to any particular item with which it agrees. If the company disagrees with a violation or wishes to further comment on a violation, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the company provides written documentation to support its position. When the company responds, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The company 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 company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

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

in Part Two of the Report. The company will receive additional details regarding the internal audit requested for auto claims within 30 days.

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

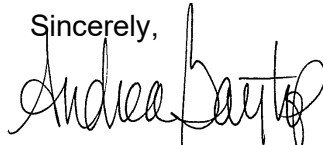
Finally, we have attached an Excel file that the company must complete and return to the Bureau with its response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's' response and the spreadsheet mentioned above must be returned to the Bureau by March 18, 2022.

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

We look forward to your reply by March 18, 2022.

Sincerely,



Andrea Baytop, AMCM
Manager, Market Conduct Section
Property & Casualty Division
Cell: (804) 592-0245
Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

Attachments



Date: March 18, 2022
To: Andrea Baytop, Manager, Market Conduct Section
From: Matthew Martin, Compliance Manager
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Thank you for providing Root Insurance Company (“Root”) the opportunity to acknowledge and respond to the Department’s Market Conduct Exam findings received on 01/14/2022. Please see the following responses, as well as corrective action measures taken and planned from the examination conclusions below:

Part One – The Examiners’ Observations

Rating and Underwriting Review

TERMINATION REVIEW

All Other Cancellations – Automobile Policies

REQUESTED BY THE INSURED

- (3) The examiners found three violations of § 38.2-2212 F of the Code of Virginia. The company failed to obtain a written request from the insured to cancel the policy.

Root Insurance Company will continue to obtain a request from the insured to cancel the policy. During the course of the exam, Root Insurance Company had provided support for the policyholder’s in-app insured-requested cancellation and selected effective date. In fifteen of those instances, the violations citing the company failed to provide the insured’s written request for cancellation of the policy were withdrawn. Similar support of the policyholder’s in-app insured-requested cancellation

and selected effective date has previously been provided for the three remaining violations, and Root Insurance Company asks for these violations to be withdrawn.

Please refer to the Appendix which includes additional supporting detail of the insured's in-app request to cancel.

Part Two – CORRECTIVE ACTION PLAN

General

Rating and Underwriting Review

Root 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 overcharges as of the date the error first occurred.

Root Insurance Company has updated its rule and rating manuals, along with system updates to correct the errors that caused the overcharges and undercharges. Root Insurance Company has refunded insureds or credited the insureds' accounts the amount of the overcharges as of the date the error first occurred.

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

Root Insurance Company has included six percent (6%) interest in the amount refunded and/or credited to the insureds' accounts with the above item (1).

- (3) Complete and submit to the Bureau the attached Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the spreadsheet.

Root Insurance Company has completed the Restitution Spreadsheet and

acknowledges that it has refunded or credited the overcharges listed in the spreadsheet. Please refer to the attachment:

“Root Completed Restitution Spreadsheet 1.14.2022.xlsx”

- (4) Specify required information in the policy accurately. Particular attention should be focused on coverage premiums and applicable forms properly shown on the declarations page.

Root Insurance Company has completed implementation of updates to its policy documents to specify required information in the policy accurately. Additional dynamic features accurately reflect all coverage premiums and applicable forms properly shown on the declarations page.

- (5) Properly represent the benefits, coverage, advantages, and conditions of the policy by displaying the correct Transportation Expenses limits per disablement, Towing and Labor limits, and by properly assisting insureds to cancel their policies with other insurers.

Root Insurance Company has completed implementation of updates to its policy documents to properly represent the benefits, coverage, advantages, and conditions of the policy. Additional dynamic features accurately display the correct Transportation Expenses limits per disablement, Towing and Labor limits, and properly assist insureds to cancel their policies with other insurers.

- (6) Provide the insured with a written notice of an AUD.

Root Insurance Company currently preparing for implementation of a written notice to the insured of an AUD.

- (7) Provide convenient access to files, documents, and records relating to the examination.

Root Insurance Company has reviewed access requirements and data

security protocols employed to improve its onboarding of external auditors in the future.

- (8) Provide the Accident Point Surcharge notice when the policy has been surcharged for an at-fault accident.

Root Insurance Company is currently developing an updated notice of premium increase to include an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia.

- (9) File all rates and supplementary rate information with the Bureau.

Root Insurance Company has taken steps to ensure that all future rates and supplementary rate information will be filed with the Bureau. The Company has learned that it is possible to make confidential filings for trade secret protection and will continue to utilize that process in the future when necessary to protect the Company's proprietary and trade secret information while at the same time ensuring that a complete filing is made with the Bureau.

- (10) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, SDIP points for at-fault accidents and convictions, symbols, tier eligibility, base and/or final rates, classification factors, and rate caps.

Root Insurance Company has completed system updates to more accurately apply the rules and rates on file with the Bureau. Particular attention is given to the use of filed discounts, surcharges, SDIP points for at-fault accidents and convictions, symbols, tier eligibility, base and/or final rates, classification factors, and rate caps.

- (11) Obtain signed written rejections of higher UM Limits.

Root Insurance Company has completed implementation of updates to its

application flow to better obtain signed written rejections of higher UM Limits.

- (12) Provide the Credit Adverse Action notice as required by § 38.2-2234 A of the Code of Virginia.

Root Insurance Company has taken steps to ensure the Credit Adverse Action notice will be provided to insureds.

Termination Review

Root 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.

Root Insurance Company has corrected the errors that caused the overcharges and undercharges and sent refunds to the insureds or credited the insureds' accounts the amount of the overcharges 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.

Root Insurance Company has included six percent (6%) interest in the amount refunded and/or credited to the insureds' accounts with the above item (1)

- (3) Complete and submit to the Bureau the enclosed Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the spreadsheet.

Root Insurance Company has completed the Restitution Spreadsheet and acknowledges that it has refunded or credited the overcharges listed in the spreadsheet. Please refer to the attachment:

"Root Completed Restitution Spreadsheet 1.14.2022.xlsx"

- (4) Provide the insured or applicant with a written notice of an AUD as required by statute.

Root Insurance Company has taken steps to ensure the AUD notice will be provided to insureds.

- (5) Maintain accurate data population files.

Root Insurance Company will maintain accurate data population files.

- (6) Calculate return premium according to the filed rules and policy provisions.

Root Insurance Company enhanced its processes to more accurately calculate the return premium according to the filed rules and policy provisions.

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

Root Insurance Company has completed implementation of updates to its mailing processes to better retain valid proof of mailing the cancellation and nonrenewal notice to the insured.

- (8) Send the cancellation notice to the insured.

Root Insurance Company has completed system updates so that all future cancellation notices will be sent to the insured.

- (9) Advise the insured of the right to review by the Commissioner of Insurance.

Root Insurance Company has completed implementation of updates to applicable notices to advise the insured of the right to review by the Commissioner of Insurance.

- (10) Advise the insured of the availability of other insurance.

Root Insurance Company has completed implementation of updates to applicable notices to advise the insured of the availability of other insurance.

- (11) Obtain written notice when the insured requests cancellation of the policy.

Root Insurance Company will continue to obtain a request from the insured to cancel the policy.

Claims Review

Root Insurance Company shall:

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

Root Insurance Company has corrected the errors that caused the overcharges and undercharges and sent refunds to the insureds or credited the insureds' accounts the amount of the overcharges as of the date the error first occurred.

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

Root Insurance Company has included six percent (6%) interest in the amount refunded and/or credited to the insureds' accounts with the above item (1).

- (3) Complete and submit to the Bureau the attached Restitution Spreadsheet. By returning the completed spreadsheet to the Bureau, the company acknowledges that it has paid the underpayments listed in the spreadsheet.

Root Insurance Company has completed the Restitution Spreadsheet, and acknowledges that it has refunded or credited the overcharges listed in the spreadsheet. Please refer to the attachment:

“Root Completed Restitution Spreadsheet 1.14.2022.xlsx”

- (4) 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.

Root Insurance Company has completed re-training claims staff to ensure

the insured is offered an amount that is fair and reasonable as shown by the investigation of the claim, and payment of the claim is made in accordance with the insured's policy provisions.

- (5) Properly represent pertinent facts or insurance provisions relating to coverages at issue.

Root Insurance Company has completed re-training on how to properly represent pertinent facts or insurance provisions relating to coverages at issue.

- (6) Include a correct statement of coverage under which payments are made with all claim payments made to insureds.

Root Insurance Company has completed implementation of system updates for all claim payments to include a statement of coverage under which payments are made.

- (7) Conduct an internal audit of all UM claims for three preceding years.

Root Insurance Company is prepared to conduct an internal audit of all UM claims for three preceding years, and awaits the additional details referenced in the Bureau 's Preliminary Report Letter.

Forms Review

Root Insurance Company shall:

Use the required standard automobile forms filed and adopted by the Bureau.

Root Insurance Company has updated its forms to use the required standard automobile forms filed and adopted by the Bureau.

Policy Issuance Process Review

Root Insurance Company shall:

- (1) Specify the required information in the policy by attaching all the applicable forms.

Provide the insured a written offer of Transportation Expenses coverage when the policy has Other Than Collision or Collision coverage.

Root Insurance Company has completed implementation of a written offer of Transportation Expenses coverage when the policy has Other Than Collision or Collision coverage.

Statutory Notices Review

Root Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

Root Insurance Company has completed implementation of updates to its Privacy Policy to comply with § 38.2-604 B of the Code of Virginia.

- (2) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.

Root Insurance Company has completed implementation of updates to its Privacy Policy to comply with § 38.2-604.1 B of the Code of Virginia.

- (3) Develop an AUD notice that complies with the requirements of § 38.2-610 A of the Code of Virginia and Administrative Letter 2015-07.

Root Insurance Company has taken steps to ensure the AUD notice will be provided to insureds.

- (4) Develop an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia.

Root Insurance Company is currently developing an updated notice of premium increase to include an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia.

- (5) Provide the 60-day Cancellation Warning notice on the application to comply with

§ 38.2-2210 A of the Code of Virginia.

Root Insurance Company has completed implementation of the 60-day Cancellation Warning notice on the application to comply with § 38.2-2210 A of the Code of Virginia.

(6) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234

A 1 of the Code of Virginia.

Root Insurance Company has completed implementation of the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.

(7) Properly represent the return premium calculation.

Root Insurance Company completed system updates so that it will properly represent the return premium calculation.

PART THREE – RECOMMENDATIONS

RECOMMENDATIONS

Rating and Underwriting

- Update the filed Rule/Rate manual regarding installment fees. The company does not charge a down payment.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate manual regarding installment fees as it does not charge a down payment.

- Update the filed Rule/Rate Manual to state that return premium is calculated using the pro-rata method.

Root Insurance Company has completed a filing which updates the filed Rule/Rate Manual to state that return premium is calculated using the pro-rata method.

- Update the filed Rule/Rate Manual regarding the Royce Independence Factor (RIF). The RIF is only calculated when the driver has an UBI Score calculated from telematics data. If the driver is in the test drive phase, then

no RIF is developed.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual regarding the Royce Independence Factor (RIF) clarifying the RIF is only calculated when the driver has a UBI Score calculated from telematics data. If the driver is in the test drive phase, then no RIF is developed.

- Update the filed Rule/Rate Manual by stating the type of violations that would be surcharged under the LIC and suspension/revocation category.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual by stating the type of violations that would be surcharged under the LIC and suspension/revocation category.

- Obtain specific documentation for the Accident Prevention Course Discount as stated by the statute.

Root Insurance Company is currently preparing for implementation of an update process to obtain specific documentation for the Accident Prevention Course Discount as stated by the statute.

- Verify that all Medical Expense and Income Loss Benefits limits are the same across all vehicles listed on the policy.

Root Insurance Company has verified that all Medical Expense and Income Loss Benefits limits are the same across all vehicles listed on the policy.

- Update the filed Rule/Rate Manual to state how the Prior Insurance Classification rule applies to renewals. The rule only refers to newly written policies.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual to better state how the Prior Insurance Classification rule applies to renewals.

- Update the filed Rule/Rate Manual to remove the last sentence of Rule P09 Prior Insurance Classification. The company still applies Previous, Continuous, and Cancellation factors when the insured is in class C or N.

Root Insurance Company has completed a filing with updates to the filed Rule Manual to remove the last sentence of Rule P09 Prior Insurance Classification.

- Update the filed Rule P09 Prior Insurance Classification to specify prior

policy information is used when the insured was a primary or listed driver.

Root Insurance Company has completed a filing with updates to the filed Rule Manual to specify prior policy information is used when the insured was a primary or listed driver.

- Update the filed Rule/Rate Manual to properly classify the Financial Responsibility categories.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual to properly classify the Financial Responsibility categories.

- Update the filed Rule/Rate Manual to properly classify the Continuous Insurance Discount. The company should label this as a surcharge, this factor is not a discount to the insured.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual to properly classify the Continuous Insurance Discount as a surcharge.

- Update the filed Rule P15 Continuous Insurance Discount. The company is only using the immediate prior policy. The company's implementation is more in line with the specifications of the Previous Carrier rule.

Root Insurance Company will complete a future filing with updates to the filed Rule to specify that the company calculates from the prior insurance inception date to the cancel date or quote date.

- Update the filed Rule P15 Continuous Insurance Discount. The rule should specify how it applies to renewal policies. The rule should specify whether the company uses the date of quote or renewal quote.

Root Insurance Company has completed a filing with updates to the filed Rule to specify the company uses the date of quote or renewal quote.

- Update the filed Rule P19 Previous Carrier. The rule should specify that the company calculates from the prior insurance inception date to the cancel date or quote date, whichever is earlier.

Root Insurance Company has completed a filing with updates to the filed Rule to specify that the company calculates from the prior insurance inception date to the cancel date or quote date.

- Update the filed Rule P19 Previous Carrier. The company should specify if the company uses the date of quote or renewal quote date for renewals.

The rule should also state that the company calculates the time between policies regardless of any lapse in coverage.

Root Insurance Company will complete a future filing with updates to the filed Rule to specify the company uses the date of renewal quote date for renewals. Root Insurance Company has completed a filing with updates to the filed Rule to specify that the company calculates the time between policies regardless of any lapse in coverage.

- Update the filed Rule P21 Summary of Coverage Abbreviations. The company should delete “Loan/Lease and Additional Custom Parts and Equipment” from the rule and the entire manual. The company does not offer this coverage.

Root Insurance Company has completed a filing which updates the filed Rule with “Loan/Lease and Additional Custom Parts and Equipment” having been removed.

- Update the filed Rule P30 Homeowners Factors. The company should delete “The Company may take reasonable steps to verify this information.”

Root Insurance Company has completed a filing which updates the filed Rule with “The Company may take reasonable steps to verify this information” having been removed.

- Update the filed Rule P31 Underwriting Tier. The company should redefine “No Use” as the statement in the rule is not accurate. The company determined the UW Tier for every driver on all the policies.

Root Insurance Company will complete a future filing with updates to the filed Rule to better define and address “No Use”.

- Update the filed Rule P32 Driver Assignment. The company should delete UBI Tier from the “Highest Rated” formula since it is not a factor calculated by the manual; a factor of 1.00 is used.

Root Insurance Company has completed a filing which updates the filed Rule to remove UBI Tier from the “Highest Rated” formula.

- Update the filed Rule P32 Driver Assignment. The company must address how each driver’s points are only assigned to the car they customarily operate while each driver is assigned to a unique vehicle for other driver factors/discounts.

Root Insurance Company will complete a future filing with updates

to the filed Rule to better address how each driver's points are only assigned to the car they customarily operate.

- Update the filed Rule/Rate Manual and delete LOAN from the base rate page and all Exhibit rate tables. The company does not offer this coverage.

Root Insurance Company has completed a filing with updates to the filed Rule/Rate Manual to remove LOAN from the base rate page and all Exhibit rate tables.

- Update the filed Rule/Rate Manual regarding their Rate Order of Calculation sheet. The company should delete LOAN coverage.

Root Insurance Company has completed a filing with updates to the filed Rule/Rule Manual to remove LOAN from the Rate Order of Calculation sheet.

- Update the filed Rule/Rate Manual regarding the Rate Order of Calculation sheet. The company should specify that it averages all the Points, Luxury factors, and VIN vehicle or Symbol Character factors for the UM premium. The company only calculates one UM premium for the policy, regardless of the number of insured vehicles.

Root Insurance Company will complete a future filing with updates to the filed Rule/Rule Manual to specify that it averages all the Points, Luxury factors, and VIN vehicle or Symbol Character factors for the UM premium.

- Update the filed Rule/Rate Manual regarding the Rate Order of Calculation sheet. The Company has a special determination when the policy has a mixture of vehicles with VIN Vehicle and Symbol factors for the UM premium calculation.

Root Insurance Company will complete a future filing with updates to the filed Rule/Rule Manual to specify that it has a special determination when the policy has a mixture of vehicles with VIN Vehicle and Symbol factors for the UM premium calculation.

- Update the filed Rule/Rate Manual to remove UBI Tier factors from Exhibit 2 and 3 rate tables.

Root Insurance Company will complete a future filing with updates to the filed Rule/Rule Manual to remove UBI Tier factors from Exhibit 2 and 3 rate tables.

- Update the filed Rule/Rate Manual to change rating factors for 0 points to 1.00 in Exhibit 5 Violation Point Factor.
 Root Insurance Company has completed a filing with updates to the filed Rule/Rule Manual to change rating factors for 0 points to 1.00 in Exhibit 5 Violation Point Factor.
- Update the filed Rule/Rate Manual to delete Exhibit 8 UBI Tier Factors since all factors are 1.00.
 Root Insurance Company will complete a future filing with updates to the filed Rule/Rule Manual to remove Exhibit 8 UBI Tier Factors since all factors are 1.00.
- Update the filed Rule/Rate Manual to remove the daily limits shown for Transportation Expenses coverage under Exhibit 13 Limit/Deductible Factor.
 Root Insurance Company has completed a filing with updates to the filed Rule/Rule Manual to remove the daily limits shown for Transportation Expenses coverage under Exhibit 13 Limit/Deductible Factor.
- Update the filed Rule/Rate Manual to add a plus sign (+) to the '20 Veh Age' value for all coverages under Exhibit 18 Vehicle Age.
 Root Insurance Company will complete a future filing with updates to the filed Rule/Rule Manual to add a plus sign (+) to the '20 Veh Age' value for all coverages under Exhibit 18 Vehicle Age.
- Update the filed Rule/Rate Manual to delete the ACPE factors and Loan factors from Exhibit 27 Safe Driver Discount page.
 Root Insurance Company has completed a filing with updates to the filed Rule/Rule Manual to remove the ACPE factors and Loan factors from Exhibit 27 Safe Driver Discount page.

Terminations

- Update the filed Rule/Rate Manual to indicate that installment fees are only charged when a payment is collected.
 Root Insurance Company has completed a filing with updates to the filed Rule/Rule Manual to specify that Installment fees are only applicable to monthly payments that are collected from the insured.

Claims

- Document the claim file so that all events and dates pertinent to the claim can be reconstructed.

Root Insurance Company has completed re-training claims staff on how to document the claim file so that all events and dates pertinent to the claim can be reconstructed.

- Document the claim file to indicate that all applicable coverages have been fully disclosed to the insured. Particular attention should be given to rental benefits under UMPD coverage.

Root Insurance Company has completed re-training claims staff on how to document the claim file to indicate that all applicable coverages have been fully disclosed to the insured.

- Provide a reasonable time after the vehicle damage payment has been made before terminating payment for rental car expenses.

Root Insurance Company has completed re-training claims staff to provide a reasonable time after the vehicle damage payment has been made before terminating payment for rental car expenses.

- Adopt and implement reasonable standards for the prompt investigation of claims.

Root Insurance Company has completed re-training claims staff on the standards for the prompt investigation of claims.

- Make prompt and fair settlement of a claim in which liability is clear. Adopt and implement reasonable standards for the prompt investigation of claims.

Root Insurance Company has completed re-training claims staff on making prompt and fair settlement of claims in which liability is clear, as well as re-training on the standards for the prompt investigation of claims.

Notices

- Add "Suite 500" to the company's address on the Important Information Regarding Your Insurance notice.

Root Insurance Company has completed updates to add "Suite 500" to the company's address on the Important Information Regarding

Your Insurance notice.

- Update the telephone number for the Bureau of Insurance to 1.877.310.6560 on the Important Information Regarding Your Insurance notice.

Root Insurance Company has completed updates to reflect the telephone number for the Bureau of Insurance as 1.877.310.6560 on the Important Information Regarding Your Insurance notice.

- Remove the Bureau's TDD number from the Important Information Regarding Your Insurance notice.

Root Insurance Company has completed updates to remove the Bureau's TDD number from the Important Information Regarding Your Insurance notice.

- Update the local telephone number for the Bureau of Insurance to 804.371.9185.

Root Insurance Company has completed updates to reflect the local telephone number for the Bureau of Insurance as 804.371.9185.

- The company's online private passenger auto application should state "Other Than Collision" instead of "Comprehensive".

Root Insurance Company has completed updates to the company's online private passenger auto application to state "Other Than Collision" instead of "Comprehensive".

- Revise the term "Medical Payments" to read "Medical Expense Benefits".

Root Insurance Company has completed updates to the Medical Expense Benefits on Notices to revise the term "Medical Payments" to read "Medical Expense Benefits".

- Change the Virginia Important Notice Regarding Healthcare and Disability Benefits Coverage title to Virginia Important Notice Regarding Medical Expense Benefits Coverage.

Root Insurance Company will update the "Virginia Important Notice Regarding Healthcare and Disability Benefits Coverage" title to "Virginia Important Notice Regarding Medical Expense Benefits Coverage".

- Revise the Virginia Important Notice Regarding Uninsured Motorists Coverage title to state "Important Notice" as found in the statute.

Root Insurance Company has updated the "Important Notice

Regarding Uninsured Motorists Coverage” title to state “Important Notice” as found in the statute.

COMMONWEALTH OF VIRGINIA



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

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RICHMOND, VIRGINIA 23219
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May 24, 2022

VIA E-MAIL DELIVERY

Matthew Martin
Compliance Manager
Root Insurance Company
80 E. Rich Street, Suite 500
Columbus, OH 43215

RE: Root Insurance Company NAIC #10974
Market Conduct Examination
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Martin:

The Bureau of Insurance (Bureau) has reviewed the March 18, 2022, response to the Preliminary Market Conduct Report (Report) of Root Insurance Company (Company). The Bureau has referenced only those items where 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

Rating and Underwriting Review

- (1d) The violation for RPA012 was moved to item (1c) of the Report to be cited more appropriately. The Report has been renumbered to reflect this change.

Insured Requested Cancellations

- (3) After further review, the violations for TPA058, TPA076, and TPA078 have been withdrawn from the Report. The Company provided the requested documentation.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (4) Please provide a current declarations page that accurately specifies the coverage premium and applicable forms.

- (5) Please provide a current declarations page that that properly displays the correct Transportation Expenses limits per disablement and Towing and Labor Limits. Also provide the Company's current procedure to properly assist insureds with cancelling their policies with other insurers.
- (6) Please provide the estimated completion date for implementing the written notice of an Adverse Underwriting Decision (AUD) to the insured.
- (8) Please provide the estimated completion date for implementing the Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia.
- (11) Please explain the Company's current application process to obtain a signed written rejection of higher Uninsured Motorist (UM) Limits.
- (12) Please provide a current Credit Adverse Action notice recently provided to an insured.

Termination Review

- (4) Please provide a copy of the notice for a recent rejected application sent to a Virginia insured.
- (9) Please provide a copy of a recent nonpayment cancellation notice sent to a Virginia insured.
- (10) Please provide a copy of a recent nonpayment cancellation notice sent to a Virginia insured.
- (11) This item is deleted and the Report has been renumbered to reflect this change.

Claims Review

- (2) The Company stated the check numbers were still pending for some payments in its restitution spreadsheet comments. Please provide the check numbers for CPA017, CPA079, CPA081, CPA092, and CPA098.
- (3) The Company stated in its restitution spreadsheet comments that they attempted to contact the policyholders by phone and mail. Please provide a copy of the letter(s) sent for the following claims: CPA009, CPA019, CPA022, CPA028, CPA031, CPA052, CPA063, CPA064, CPA079, CPA081, CPA092, CPA097, CPA100, CPA102, CPA104, CPA111, and CPA120.
- (6) Please provide a copy of a current check that illustrates claim payments now include a proper statement of coverage.

Forms Review

Please provide a copy of the corrected standard forms currently used.

Statutory Notices Review

- (1) Please provide a copy of the revised long form Notice of Information Collection and Disclosure Practices that complies with § 38.2-604 B of the Code of Virginia.
- (2) Please provide a copy of the revised Notice of Financial Information Collection and Disclosure Practices that complies with § 38.2-604.1 B of the Code of Virginia.
- (3) Please provide a copy of the developed AUD notice that complies with § 38.2-610 of the Code of Virginia.
- (4) Please provide the estimated completion date for creating an Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia.
- (5) Please provide a copy of the revised application that includes the 60-day Cancellation Warning notice that complies with § 38.2-2210 A of the Code of Virginia.
- (6) Please provide a copy of the revised Insurance Credit Score Disclosure notice that complies with § 38.2-2234 A 1 of the Code of Virginia.

PART THREE – RECOMMENDATIONS

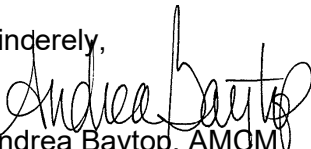
Statutory Notices

- Please provide the revised “Important Notice” that complies with § 38.2-2202 A of the Code of Virginia.
- Please provide the revised “Important Notice” that complies with § 38.2-2202 B of the Code of Virginia.

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

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by June 17, 2022.

Sincerely,



Andrea Baytop, AMOMV
Manager, Market Conduct Section
Property & Casualty Division
Cell: (804) 592-0245
Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

ADB/pgh
Attachments



Date: June 17, 2022
To: Andrea Baytop, Manager, Market Conduct Section
From: Matthew Martin, Compliance Manager
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Thank you for providing Root Insurance Company (“Root”) the opportunity to acknowledge and respond to the Department’s Revised Market Conduct Exam findings received on 05/24/2022. Please see the following responses, as well as corrective action measures taken and planned from the examination conclusions below:

Rating and Underwriting Review

- (4) Please provide a current declarations page that accurately specifies the coverage premium and applicable forms.

Please see the included “VA Declarations”.

- (5) Please provide a current declarations page that properly displays the correct Transportation Expenses limits per disablement and Towing and Labor Limits. Also provide the Company’s current procedure to properly assist insureds with canceling their policies with other insurers.

Please see the included “VA Declarations”, as well as the document “Prior Coverage Cancellation”.

- (6) Please provide the estimated completion date for implementing the written notice of an Adverse Underwriting Decision (AUD) to the insured.

The estimated completion and implementation for the written notice of an Adverse Action is Q3 of 2022.

- (8) Please provide the estimated completion date for implementing the Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia.

The estimated completion and implementation for the updated notice of premium increase to include an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia is Q3 of 2022.

- (11) Please explain the Company's current application process to obtain a signed written rejection of higher Uninsured Motorist (UM) Limits.

In both our mobile application and web platform, once the applicant has selected the lower limits UMUIIM BI coverage and UMPD coverage and they are continuing to bind the policy, they are presented with form Form 06, Virginia, May 2019, "Virginia Selection Of Lower Uninsured Motorists Coverage Limits" which identifies the selections they have made. The applicant is presented with an affirmation and electronic signature statement that has them verify that they read the document, that they are the named insured on the policy authorized to make the selection and that they understand that by selecting "Agree" they are legally signing and confirming the selections made. They can only bind the policy once they have agreed.

- (12) Please provide a current Credit Adverse Action notice recently provided to an insured.

The estimated completion and implementation for the written notice of Adverse Action is Q3 of 2022.

Termination Review

- (4) Please provide a copy of the notice for a recent rejected application sent to a Virginia insured.

The estimated completion and implementation for the written notice of Adverse Action is Q3 of 2022.

- (9) Please provide a copy of a recent nonpayment cancellation notice sent to a Virginia insured.

Please see "Form 12 20 VA , revised 2020-12 Non-Payment Cancellation".

- (10) Please provide a copy of a recent nonpayment cancellation notice sent to a Virginia insured.

Please see "Form 12 20 VA , revised 2020-12 Non-Payment Cancellation".

Claims Review

- (2) The Company stated the check numbers were still pending for some payments in its restitution spreadsheet comments. Please provide the check numbers for CPA017, CPA079, CPA081, CPA092, and CPA098.

Please see "Root Restitution Spreadsheet".

- (3) The Company stated in its restitution spreadsheet comments that they attempted to contact the policyholders by phone and mail. Please provide a copy of the letter(s) sent for the following claims: CPA009, CPA019, CPA022, CPA028, CPA031, CPA052, CPA063, CPA064, CPA079, CPA081, CPA092, CPA097, CPA100, CPA102, CPA104, CPA111, and CPA120.

Please see copy of letters under respective reference numbers:

CPA019, CPA028, CPA052, CPA064, CPA081, CPA081, CPA097, CPA100, and CPA111

- **CPA009, CPA031, CPA063, CPA079, CPA092, CPA097, and CPA104** all have check numbers which can be found on the "Root Restitution Spreadsheet"
- **CPA102:** Customer confirmed their rental expenses were \$900, proof of payment is attached to file CPA102 under Direct Deposit Payment.png
- **CPA022:** Our investigation showed that there was no payment issued to the customer as tow was canceled. Please refer to the ticket under "CPA022"
- **CPA120:** No check or letter was issued as insured confirmed via email there were no out of pocket rental expenses. Please see "CPA120"

- (6) Please provide a copy of a current check that illustrates claim payments now include a proper statement of coverage.

Please see "Check for [REDACTED]".

Forms Review

Please provide a copy of the corrected standard forms currently used.

Copies of corrected standard forms that are currently in use are included. However, there are four standard forms that we are still in the process of updating (listed below). The estimated completion and implementation for these forms is Q3 of 2022.

- PP 01 99 01 22 Amendment of Policy Provisions - Virginia
- PP 05 96 01 20 Medical Expense And Income Loss Benefits Coverage – Virginia
- PP 00 01 09 18 Personal Auto Policy - Virginia
- PP 14 03 10 20 Uninsured Motorists Coverage – Virginia

Statutory Notices Review

- (1) Please provide a copy of the revised long form Notice of Information Collection and Disclosure Practices that complies with § 38.2-604 B of the Code of Virginia.

Please see "Privacy Policy April 2021.pdf".

- (2) Please provide a copy of the revised Notice of Financial Information Collection and Disclosure Practices that complies with § 38.2-604.1 B of the Code of Virginia.

Please see "Privacy Policy April 2021.pdf".

- (3) Please provide a copy of the developed AUD notice that complies with § 38.2-610 of the Code of Virginia.

Please see "Notice of Adverse Action - Template".

- (4) Please provide the estimated completion date for creating an Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia.

The estimated completion and implementation for the updated notice of premium increase to include an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia is Q3 of 2022.

- (5) Please provide a copy of the revised application that includes the 60-day Cancellation Warning notice that complies with § 38.2-2210 A of the Code of Virginia.

Please see "Form 101, Virginia, May 2021 Application for Insurance".

- (6) Please provide a copy of the revised Insurance Credit Score Disclosure notice that complies with § 38.2-2234 A 1 of the Code of Virginia.

Please see "FCRA Notice Version 4.16.21".

PART THREE — RECOMMENDATIONS

Statutory Notices

- Please provide the revised "Important Notice" that complies with § 38.2-2202 A of the Code of Virginia.

Please see "Important Notice 38.2-2202 A".

- Please provide the revised "Important Notice" that complies with § 38.2-2202 B of the Code of Virginia.

Please see "Important Notice 38.2-2202 B".

COMMONWEALTH OF VIRGINIA



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

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www.scc.virginia.gov/boi

August 22, 2022

VIA E-MAIL DELIVERY

Matthew Martin
Compliance Manager
Root Insurance Company
80 E. Rich Street, Suite 500
Columbus, OH 43215

RE: Root Insurance Company NAIC #10974
Market Conduct Examination
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Martin:

The Bureau of Insurance (Bureau) has reviewed the May 24, 2022, response to the Preliminary Market Conduct Report (Report) of Root Insurance Company (Company). The Bureau has referenced only those items where 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

Private Passenger Automobile Claims

- (2b) A violation for CPA120 was added for the Company failing to properly advise the insured of the rental benefits available under the Uninsured Motorist Property Damage (UMPD) coverage.
- (4b) After further review, the violation for CPA120 has been withdrawn and a new violation has been added to item (2b) of the Revised Report since the insured did not incur any rental expenses.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (11) Please provide a copy of Form 06 Virginia (May 2019) and screen prints of the current application process to obtain a signed written rejection of higher Uninsured Motorist (UM) Limits.
- (12) Please provide a copy of the current Credit Adverse Action notice recently provided to an insured.

Claims Review

- (3) It appears that the restitution shown in the revised spreadsheet for CPA009 is where the Company reimbursed the deductible. The Company should make an additional contact attempt to the insured to see if any transportation expenses were incurred to address the outstanding restitution.

The Restitution Spreadsheet reflects the Company paid \$318 for CPA019 on March 10, 2022. However, the Company's letter indicated a payment of \$848 on March 10, 2022. Please provide documentation supporting the actual payment made, update the restitution spreadsheet accordingly, and send a corrected letter to the insured if necessary.

The underpayment for CPA022 remains in the Report. The Company remitted tow details which were found in the original file documentation. However, this documentation did not specify who cancelled the tow request or why. The Company should contact the named insured, confirm if there was incurred tow expenses, and provide supporting documentation of the inquiry.

The Restitution Spreadsheet reflects the Company paid \$318 for CPA028 on March 11, 2022. However, the Company's letter indicated a payment of \$848 on March 10, 2022. Please provide documentation supporting the actual payment made, update the restitution spreadsheet accordingly, and send a corrected letter to the insured if necessary.

Please provide copies of the contact letters to the insureds regarding potentially incurring transportation expenses for CPA031, CPA063, and CPA097. The Company indicated in its response that these files have check numbers in the restitution spreadsheet, however the checks are for the difference in the UMPD and Collision deductibles.

The Company should make additional contact attempts to the insureds to see if any transportation expenses were incurred for CPA079, CPA081, and CPA111.

The underpayment for CPA102 has been revised to \$954. The Company contacted the named insured via letter and confirmed they had an out-of-pocket expense for renting a comparable substitute vehicle for \$954.

The underpayment for CPA120 has been withdrawn. The Company contacted the named insured via e-mail and confirmed they had no out-of-pocket expenses for renting a comparable substitute vehicle.

The Company should add the payee's name in the Restitution spreadsheet for CPA122.

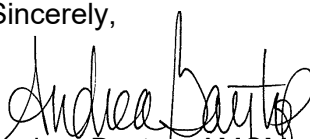
Statutory Notices Review

- (3) Please provide a copy of the revised AUD notice that complies with § 38.2-610 A of the Code of Virginia. The Company provided the Notice of Adverse Action with its response; however, this notice does not comply with § 38.2-610 A of the Code of Virginia but rather it appears to comply with a different statute, § 38.2-2234 A 2 of the Code of Virginia.
- (4) Please provide a copy of the revised Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia. The Company indicated in its response that the notice is estimated to be completed and implemented in the third Quarter of this year. Please provide this notice as soon as it has been revised so that compliance can be verified prior to it being implemented.
- (7) Provide documentation of the completed system updates reflecting how the Company will properly represent the return premium calculation on the application.

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

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by September 19, 2022.

Sincerely,



Andrea Baytop, AMCM
Manager, Market Conduct Section
Property & Casualty Division
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Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

ADB/pgh
Attachments

Date: September 20, 2022
To: Andrea Baytop, Manager, Market Conduct Section
From: Matthew Martin, Compliance Manager
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Thank you for providing Root Insurance Company (“Root”) the opportunity to acknowledge and respond to the Department’s Revised Market Conduct Exam findings received on 08/22/2022. Please see the following responses, as well as corrective action measures taken and planned from the examination conclusions below:

PART ONE – EXAMINERS’ OBSERVATIONS

Private Passenger Automobile Claims

- (2b) A violation for CPA120 was added for the Company failing to properly advise the insured of the rental benefits available under the Uninsured Motorist Property Damage (UMPD) coverage.
- This violation has been acknowledged.
- (4b) After further review, the violation for CPA120 has been withdrawn and a new violation has been added to item (2b) of the Revised Report since the insured did not incur any rental expenses.
- This violation has been acknowledged.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (11) Please provide a copy of Form 06 Virginia (May 2019) and screen prints of the current application process to obtain a signed written rejection of higher Uninsured Motorist (UM) Limits.
- Please reference *Example_Form 06 VA Selection of Lower Uninsured Motorist Coverage Limits.pdf*.

- Please reference the folder titled *App Flow*, which contains screenshots in numerical order showing the application process ending with a signed written rejection of higher Uninsured Motorist (UM) Limits.
- Please also note that we have already corrected our practice regarding the use of outdated forms; as of 9/16/22, the company is using the most recent versions of DOI-promulgated forms. See our SERFF filing for more information (SERFF Filing Number CLIN-133367731; VA RIC-PPA-FORMS-9.22).

(12) Please provide a copy of the current Credit Adverse Action notice recently provided to an insured.

- The notice provided with our last response (*Notice of Adverse Action - Template*) is a dynamic document that is intended to be used for all types of adverse actions, including those based on credit. The information provided under the section titled “The adverse action was taken for the following reason(s):” will then be specific to the customer and provide underwriting or credit reasons, or both, as well as other required information such as the consumer reporting agency. We apologize for any confusion.

Claims Review

(3) It appears that the restitution shown in the revised spreadsheet for CPA009 is where the Company reimbursed the deductible. The Company should make an additional contact attempt to the insured to see if any transportation expenses were incurred to address the outstanding restitution.

- The Company has undertaken significant attempts to reach customers. We attempted to contact each customer by phone at least two times. In addition, we sent a contact letter via postal mail to each customer to ask about transportation expenses. Please reference [REDACTED] *Transportation Expense Letter.pdf*.

The Restitution Spreadsheet reflects the Company paid \$318 for CPA019 on March 10, 2022. However, the Company’s letter indicated a payment of \$848 on March 10, 2022. Please provide documentation supporting the actual payment made, update the restitution spreadsheet accordingly, and send a corrected letter to the insured if necessary.

- Please reference [REDACTED] - *Correction Letter.pdf* and *Check-[REDACTED].png*.

The underpayment for CPA022 remains in the Report. The Company remitted tow details which were found in the original file documentation. However, this documentation did not specify who canceled the tow request or why. The Company should contact the named insured, confirm if there was incurred tow expenses, and provide supporting documentation of the inquiry.

- Contact was made with the customer via email, and she advised that \$60 in tow expenses were incurred. A payment to the customer of \$63.60 (including interest) is pending. Please reference *CPA022 Email.jpg*. We will provide a copy of the check once it is available.

The Restitution Spreadsheet reflects the Company paid \$318 for CPA028 on March 11, 2022. However, the Company's letter indicated a payment of \$848 on March 10, 2022. Please provide documentation supporting the actual payment made, update the restitution spreadsheet accordingly, and send a corrected letter to the insured if necessary.

- Please reference [REDACTED]-Correction letter.pdf and [REDACTED]-check.png.

Please provide copies of the contact letters to the insureds regarding potentially incurring transportation expenses for CPA031, CPA063, and CPA097. The Company indicated in its response that these files have check numbers in the restitution spreadsheet, however the checks are for the difference in the UMPD and Collision deductibles.

- Please reference [REDACTED] Letter.pdf, [REDACTED] Letter.pdf, and [REDACTED] Letter.pdf.

The Company should make additional contact attempts to the insureds to see if any transportation expenses were incurred for CPA079, CPA081, and CPA111.

- We reiterate our above response regarding attempts to contact customers. We attempted to contact each customer by phone at least two times. In addition, we sent a contact letter via postal mail to each customer to ask about transportation expenses. Please reference [REDACTED] Transportation Expense Letter.pdf, K8XG3CVA Transportation Expense Letter.pdf, and [REDACTED] - Transportation Expense Letter.pdf.

The underpayment for CPA102 has been revised to \$954. The Company contacted the named insured via letter and confirmed they had an out-of-pocket expense for renting a comparable substitute vehicle for \$954.

- Acknowledged

The underpayment for CPA120 has been withdrawn. The Company contacted the named insured via e-mail and confirmed they had no out-of-pocket expenses for renting a comparable substitute vehicle.

- Acknowledged

The Company should add the payee's name in the Restitution spreadsheet for CPA122.

- Please refer to *Root Restitution Spreadsheet 8.22.2022.xlsx*.

Statutory Notices Review

(3) Please provide a copy of the revised AUD notice that complies with § 38.2-610 A of the Code of Virginia. The Company provided the Notice of Adverse Action with its response; however, this notice does not comply with § 38.2-610 A of the Code of Virginia but rather it appears to comply with a different statute, § 38.2-2234 A 2 of the Code of Virginia.

- Please refer to *Notice of Adverse Action - Template_v2.pdf*.

- We are still finalizing a revised version of the AUD notice, but are providing a redline version at this time. Directly beneath the heading “What you can do:” will be a new paragraph starting with “You have the right to know...” to comply with § 38.2-610 A. A new heading – “Additional Information regarding your rights under the federal Fair Credit Reporting Act (FCRA):” – will then appear before the FCRA notice and Consumer Reporting Agency listing.
- (4) Please provide a copy of the revised Accident Point Surcharge notice that complies with § 38.2-1905 A of the Code of Virginia. The Company indicated in its response that the notice is estimated to be completed and implemented in the third Quarter of this year. Please provide this notice as soon as it has been revised so that compliance can be verified prior to it being implemented.
- Please refer to *VA Renewal with Accident Surcharge_template_v2*.
- (7) Provide documentation of the completed system updates reflecting how the Company will properly represent the return premium calculation on the application.
- Please refer to *VA Return Premium Calculation Explanation.pdf*.

COMMONWEALTH OF VIRGINIA



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

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RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
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www.scc.virginia.gov/boi

October 27, 2022

VIA E-MAIL DELIVERY

Matthew Martin
Compliance Manager
Root Insurance Company
80 E. Rich Street, Suite 500
Columbus, OH 43215

RE: Root Insurance Company NAIC #10974
Market Conduct Examination
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Martin:

The Bureau of Insurance (Bureau) has reviewed the response of September 20, 2022, to the Revised Market Conduct Report (Report) of Root Insurance Company (Company). The Bureau has referenced only those items where the Company has disagreed with the Bureau's findings, unresolved items, or items that have changed in the Report. This response follows the format of the Report.

The Bureau's previous letter dated August 22, 2022, was in response to the Company's letter dated June 17, 2022.

PART ONE-EXAMINER OBSERVATIONS

Claims Review

- (2) New violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 are now cited for violations of 14 VAC 5-400-40 A. The Company failed to disclose the rental benefits available under the Uninsured Motorists Property Damage coverage. These violations were moved from Item 4 below.
- (4) After further review, the violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 have been withdrawn from the Report. The Company contacted the insureds regarding unpaid rental expenses but did not receive a response to verify the existence or amount of an underpayment. These violations are now addressed in Item 2 above. If the insureds later contact the Company, the claims should be reopened, and the appropriate restitution made.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (11) Please update the Company's UM Higher Limits Rejection Form 06 Virginia (May 2019) to reflect the new Bodily Injury Liability coverage minimum limits in Virginia: 30,000/60,000 split and 80,000 combined single.
- (12) The Company's dynamic Credit Adverse Action notice does not clearly indicate which language would be provided for a less favorable credit history. Therefore, we are unable to verify the company will properly provide the information required by Section 38.2-2234 A 2 of the Code of Virginia. Please provide an example of what the notice states when only the insured's credit history is adverse to the rating of the policy.

Claims Review

- (3) For CPA009, the Bureau does not consider two phone calls and one letter as a significant attempt to reach consumers. However, the Company's September 7, 2022 letter requested the insured to contact the Company if rental or transportation costs were incurred. Since the insured has not responded, the underpayment has been removed from the Report.

For CPA022, the Bureau notes that the Company sent two separate checks to the insured, one for \$60 and one for \$6. Was \$6 issued incorrectly for the interest instead of \$3.60, or does the \$6 represent an additional payment owed?

For CPA063, the Company's letter to the insured on September 7, 2022 did not ask if any rental or transportation costs were incurred. Please send another letter to the insured to determine if additional payments are owed.

For CPA100, the Company entered payment information in the Restitution spreadsheet that corresponded to CPA009. Please update the Restitution spreadsheet to include the payment information for the correct insured or explain why payment will not be made at this time.

For CPA102, the Company still owes the interest of \$57.24 to the insured. The Company only paid \$954, which reflects the insured's incurred cost. Please make this restitution and complete the Restitution spreadsheet with the requested information.

The \$999 underpayments for CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104, and CPA111 regarding UMPD rental benefits have been removed from the Report.

- (4) This item now reflects a new general business practice for the Company failing to properly disclose all applicable coverages to the insured. The Report has been renumbered due to this change.

Forms Review

Please specify when Root began issuing policies in Virginia with the 2018 PAP Program standard automobile forms.

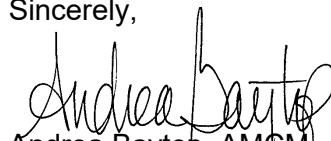
Statutory Notices Review

- (3) The Company's Credit Adverse Action notice is dynamic and combined with two other notices. Therefore, it is not clear whether the Company's proposed AUD language is complete. Please note the following language that is required by the prototype of Administrative Letter 2015-07: The specific reason for the action may be given or the following sentence may be substituted: You have a right to obtain the specific reasons for this decision by submitting a written request to the company
- (4) The Company's Accident Point Surcharge notice only pertains to renewal policies. Please note that there may be instances where this notice is required for new business policies. Further, the AUD language included with this notice is lacking the following information:
 - You have a right to know the specific items of information that support the reasons given for this decision.
 - We will put your statement in our file so that anyone reviewing your file will see it.
- (7) Please note that the 90% portion of the calculation should only be performed for insured-requested cancellations if the Company has NOT broadened the standard form for pro rata calculations. The Company's system code defines discretionary and non-discretionary cancellations, but the calculation does not indicate that the determination affects when the 90% calculation is applied.

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

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by November 11, 2022.

Sincerely,



Andrea Baytop, AMCM
Manager, Market Conduct Section
Property & Casualty Division
Cell: (804) 592-0245
Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

Attachments

Date: November 23, 2022
To: Andrea Baytop, Manager, Market Conduct Section
From: David Fogarty, VP, Compliance
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Thank you for providing Root Insurance Company (“Root”) the opportunity to acknowledge and respond to the Department’s Revised Market Conduct Exam findings received on October 10th, 2022. Please see the following responses, as well as corrective action measures taken and planned from the examination conclusions below:

PART ONE – EXAMINERS’ OBSERVATIONS

Claims Review

- (2) New violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 are now cited for violations of 14 VAC 5-400-40 A. The Company failed to disclose the rental benefits available under the Uninsured Motorists Property Damage coverage. These violations were moved from Item 4 below.
- Acknowledged.
- (4) After further review, the violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 have been withdrawn from the Report. The Company contacted the insureds regarding unpaid rental expenses but did not receive a response to verify the existence or amount of an underpayment. These violations are now addressed in Item 2 above. If the insureds later contact the Company, the claims should be reopened, and the appropriate restitution made.
- Acknowledged.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (11) Please update the Company’s UM Higher Limits Rejection Form 06 Virginia (May 2019) to reflect the new Bodily Injury Liability coverage minimum limits in Virginia: 30,000/60,000 split and 80,000 combined single.

- We are in the process of updating this form but do not have a final version to provide the Department with as of this date. We expect to be able to provide one by December 7, 2022.

(12) The Company's dynamic Credit Adverse Action notice does not clearly indicate which language would be provided for a less favorable credit history. Therefore, we are unable to verify the company will properly provide the information required by Section 38.2-2234 A 2 of the Code of Virginia. Please provide an example of what the notice states when only the insured's credit history is adverse to the rating of the policy.

- Attached is an example of the Adverse Action Notice (Form 1930) that is sent when only the insured's credit history is adverse to the rating of the policy. Note that we will update the edition date once approved and that this example being provided includes fictional policyholder data.

Claims Review

(3) For CPA009, the Bureau does not consider two phone calls and one letter as a significant attempt to reach consumers. However, the Company's September 7, 2022 letter requested the insured to contact the Company if rental or transportation costs were incurred. Since the insured has not responded, the underpayment has been removed from the Report.

- Acknowledged.

For CPA022, the Bureau notes that the Company sent two separate checks to the insured, one for \$60 and one for \$6. Was \$6 issued incorrectly for the interest instead of \$3.60, or does the \$6 represent an additional payment owed?

- The \$6 check was issued incorrectly for the interest owed, but Root will not attempt to recoup the additional amount refunded.

For CPA063, the Company's letter to the insured on September 7, 2022 did not ask if any rental or transportation costs were incurred. Please send another letter to the insured to determine if additional payments are owed.

- A company representative spoke with the insured on March 10, 2022 and confirmed that there was no rental cost incurred.

For CPA100, the Company entered payment information in the Restitution spreadsheet that corresponded to CPA009. Please update the Restitution spreadsheet to include the payment information for the correct insured or explain why payment will not be made at this time.

- The company issued a check for the amount of \$318.00 to the insured, which reflects the payment that was owed to the customer. The Restitution spreadsheet has been updated to reflect the status of the payment.

For CPA102, the Company still owes the interest of \$57.24 to the insured. The Company only paid \$954, which reflects the insured's incurred cost. Please make this restitution and complete the Restitution spreadsheet with the requested information.

- The insured requested a stop-payment and reissue of the \$57.24 owed on November 22, 2022. The Restitution spreadsheet has been updated to reflect the status of the payment.

The \$999 underpayments for CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104, and CPA111 regarding UMPD rental benefits have been removed from the Report.

- Acknowledged.

Forms Review

Please specify when Root began issuing policies in Virginia with the 2018 PAP Program standard automobile forms.

- Root began issuing policies with the aforementioned forms on August 12, 2019, with the exception of PP 13 52 10 20, which Root began issuing July 1, 2021.

Statutory Notices Review

(3) The Company's Credit Adverse Action notice is dynamic and combined with two other notices. Therefore, it is not clear whether the Company's proposed AUD language is complete. Please note the following language that is required by the prototype of Administrative Letter 2015-07: The specific reason for the action may be given or the following sentence may be substituted: You have a right to obtain the specific reasons for this decision by submitting a written request to the company

- We acknowledge the Department's position and are in the process of updating this form but do not have a final version to provide the Department with as of this date. We expect to be able to provide one by December 7, 2022.

(4) The Company's Accident Point Surcharge notice only pertains to renewal policies. Please note that there may be instances where this notice is required for new business policies. Further, the AUD language included with this notice is lacking the following information:

- ❖ *You have a right to know the specific items of information that support the reasons given for this decision.*
- ❖ *We will put your statement in our file so that anyone reviewing your file will see it.*

- We acknowledge this observation and are in the process of updating our practices but do not have a final resolution to provide the Department with as of this date. Specifically, we are reviewing options that include utilizing pre-existing forms, such as the Adverse Action Notice, or new standalone forms. We expect to be able to provide an update by December 7, 2022.

- (7) Please note that the 90% portion of the calculation should only be performed for insured-requested cancellations if the Company has NOT broadened the standard form for pro rata calculations. The Company's system code defines discretionary and non-discretionary cancellations, but the calculation does not indicate that the determination affects when the 90% calculation is applied.
- Please refer to *VA Return Premium Calculation 2.0.pdf*. We have added the following line to clarify how the Return Premium Calculation has been, and continues to be, calculated since it was implemented.
 - *The Earned Premium Adjustment will only be applied to discretionary (i.e., policyholder-initiated) cancellations.*

Date: December 7, 2022
To: Andrea Baytop, Manager, Market Conduct Section
From: David Fogarty, VP, Compliance
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Thank you for providing Root Insurance Company (“Root”) the opportunity to acknowledge and respond to the Department’s Revised Market Conduct Exam findings received on October 10th, 2022. Please see the following responses, as well as corrective action measures taken and planned from the examination conclusions below:

PART ONE – EXAMINERS’ OBSERVATIONS

Claims Review

- (2) New violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 are now cited for violations of 14 VAC 5-400-40 A. The Company failed to disclose the rental benefits available under the Uninsured Motorists Property Damage coverage. These violations were moved from Item 4 below.
- Acknowledged.
- (4) After further review, the violations for CPA009, CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104 and CPA111 have been withdrawn from the Report. The Company contacted the insureds regarding unpaid rental expenses but did not receive a response to verify the existence or amount of an underpayment. These violations are now addressed in Item 2 above. If the insureds later contact the Company, the claims should be reopened, and the appropriate restitution made.
- Acknowledged.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (11) Please update the Company’s UM Higher Limits Rejection Form 06 Virginia (May 2019) to reflect the new Bodily Injury Liability coverage minimum limits in Virginia: 30,000/60,000 split and 80,000 combined single.

- We are in the process of updating this form but do not have a final version to provide the Department with as of this date. We expect to be able to provide one by December 7, 2022.
- **Updated Response as of December 7, 2022: Attached is a proposed final version of the form. Once we receive confirmation and/or any requested changes from you, we will begin the process of implementing it into production.**

(12) The Company's dynamic Credit Adverse Action notice does not clearly indicate which language would be provided for a less favorable credit history. Therefore, we are unable to verify the company will properly provide the information required by Section 38.2-2234 A 2 of the Code of Virginia. Please provide an example of what the notice states when only the insured's credit history is adverse to the rating of the policy.

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Claims Review

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- The \$6 check was issued incorrectly for the interest owed, but Root will not attempt to recoup the additional amount refunded.

For CPA063, the Company's letter to the insured on September 7, 2022 did not ask if any rental or transportation costs were incurred. Please send another letter to the insured to determine if additional payments are owed.

- A company representative spoke with the insured on March 10, 2022 and confirmed that there was no rental cost incurred.

For CPA100, the Company entered payment information in the Restitution spreadsheet that corresponded to CPA009. Please update the Restitution spreadsheet to include the payment information for the correct insured or explain why payment will not be made at this time.

- The company issued a check for the amount of \$318.00 to the insured, which reflects the payment that was owed to the customer. The Restitution spreadsheet has been

updated to reflect the status of the payment.

For CPA102, the Company still owes the interest of \$57.24 to the insured. The Company only paid \$954, which reflects the insured's incurred cost. Please make this restitution and complete the Restitution spreadsheet with the requested information.

- The insured requested a stop-payment and reissue of the \$57.24 owed on November 22, 2022. The Restitution spreadsheet has been updated to reflect the status of the payment.

The \$999 underpayments for CPA019, CPA028, CPA031, CPA052, CPA064, CPA079, CPA081, CPA092, CPA097, CPA104, and CPA111 regarding UMPD rental benefits have been removed from the Report.

- Acknowledged.

Forms Review

Please specify when Root began issuing policies in Virginia with the 2018 PAP Program standard automobile forms.

- Root began issuing policies with the aforementioned forms on August 12, 2019, with the exception of PP 13 52 10 20, which Root began issuing July 1, 2021.

Statutory Notices Review

(3) The Company's Credit Adverse Action notice is dynamic and combined with two other notices. Therefore, it is not clear whether the Company's proposed AUD language is complete. Please note the following language that is required by the prototype of Administrative Letter 2015-07: The specific reason for the action may be given or the following sentence may be substituted: You have a right to obtain the specific reasons for this decision by submitting a written request to the company

- We acknowledge the Department's position and are in the process of updating this form but do not have a final version to provide the Department with as of this date. We expect to be able to provide one by December 7, 2022.
- **Updated Response as of December 7, 2022: Attached is a proposed final version of the form. Once we receive confirmation and/or any requested changes from you, we will begin the process of implementing it into production.**

(4) The Company's Accident Point Surcharge notice only pertains to renewal policies. Please note that there may be instances where this notice is required for new business policies. Further, the AUD language included with this notice is lacking the following information:

- ❖ *You have a right to know the specific items of information that support the reasons given for this decision.*
- ❖ *We will put your statement in our file so that anyone reviewing your file will see it.*

- We acknowledge this observation and are in the process of updating our practices but do not have a final resolution to provide the Department with as of this date. Specifically, we are reviewing options that include utilizing pre-existing forms, such as the Adverse Action Notice, or new standalone forms. We expect to be able to provide an update by December 7, 2022.
- **Updated Response as of December 7, 2022: Attached is a proposed final version of the form. Once we receive confirmation and/or any requested changes from you, we will begin the process of implementing it into production.**

(7) Please note that the 90% portion of the calculation should only be performed for insured-requested cancellations if the Company has NOT broadened the standard form for pro rata calculations. The Company's system code defines discretionary and non-discretionary cancellations, but the calculation does not indicate that the determination affects when the 90% calculation is applied.

- Please refer to *VA Return Premium Calculation 2.0.pdf*. We have added the following line to clarify how the Return Premium Calculation has been, and continues to be, calculated since it was implemented.
 - *The Earned Premium Adjustment will only be applied to discretionary (i.e., policyholder-initiated) cancellations.*

Andrea Baytop

From: Andrea Baytop
Sent: Tuesday, December 20, 2022 3:09 PM
To: David Fogarty
Cc: Chris Rosser; Joe Garber; Alex Pierce; Melody Morrisette; William Felvey; Joy Morton
Subject: VA BOI-Root Conference Call Follow-up 12/20/22
Attachments: AL 2015-07 AUD.pdf

Good Afternoon David,

We appreciate you all having a conference call with us today regarding Root's updated response received 12/7/22. I have provided a summary of our conversation below:

Part Two-Rating and Underwriting

(11) As we discussed, the UM Higher Limits Rejection notice will need to be updated again for the future statutory change effective January 1, 2025, when the minimum limits are increased again.

(12) Please confirm whether the Company intends to use the dynamic Credit Adverse Action Notice (Form 26 20 01 CW) and the Adverse Action Notice (Form 1930) concurrently.

Part Two-Claims

(3) For CPA063, the Company should provide evidence that the insured has confirmed no rental/transportation cost was incurred. We previously asked the Company to follow-up with the insured due to an underpayment for rental/transportation expenses that may have been incurred. The Company's September 7, 2022 letter did not ask the insured about any outstanding expenses. The Company's latest response stated that the insured confirmed with a company representative on March 10, 2022 that there was no rental cost incurred. However, we do not have any evidence of this conversation occurring prior to the September letter being sent. Please provide documentation of this March 10th conversation or send another letter to the insured inquiring about reimbursement for unpaid rental/transportation expenses.

Part Two-Statutory Notices

(3)) The dynamic Credit Adverse Action Notice (Form 26 20 01 CW) still requires correction:

- The Adverse Underwriting Decision (AUD) language is not included. Please see the attached Administrative Letter 2015-07 that provides the AUD prototype language.
- The information required by 38.2-2234 A 2 is not included. The notice must either inform the insured/applicant of the primary factors used as the basis for the adverse action or notify the insured/applicant how to obtain the information from Root.

(4) The Company will need to have an Accident Point Surcharge notice available for new business policies too. This may be needed when a new driver with at-fault accidents is added to a new business policy mid-term.

Please let us know if you have any questions or concerns with the items above. We look forward to receiving your response by January 13, 2023.

We hope you all have a safe and merry holiday season!

Thank you,

Andrea Baytop, AMCM
Manager

P&C Market Conduct Section
Virginia Bureau of Insurance
804.592.0245
andrea.baytop@scc.virginia.gov



Date: January 13, 2023
To: Andrea Baytop, Manager, Market Conduct Section
From: David Fogarty, VP, Compliance
Subject: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

(11) As we discussed, the UM Higher Limits Rejection notice will need to be updated again for the future statutory change effective January 1, 2025, when the minimum limits are increased again.

- **Response:** Acknowledged.

(12) Please confirm whether the Company intends to use the dynamic Credit Adverse Action Notice (Form 26 20 01 CW) and the Adverse Action Notice (Form 1930) concurrently.

- **Response:** Form 1930 will be replaced by Form 26 20 01 CW; the forms will not be used concurrently.

Claims Review

(3) For CPA063, the Company should provide evidence that the insured has confirmed no rental/transportation cost was incurred. We previously asked the Company to follow-up with the insured due to an underpayment for rental/transportation expenses that may have been incurred. The Company's September 7, 2022 letter did not ask the insured about any outstanding expenses. The Company's latest response stated that the insured confirmed with a company representative on March 10, 2022 that there was no rental cost incurred. However, we do not have any evidence of this conversation occurring prior to the September letter being sent. Please provide documentation of this March 10th conversation or send another letter to the insured inquiring about reimbursement for unpaid rental/transportation expenses.

- **Response:** Please see attached screenshot titled, "CPA 063 - 3.10.2022" which is the conversation notes from the Root adjuster with the Named Insured verifying there were no rental expenses.
- The details of the March 10th conversation are included in the screenshot titled, "CPA 063 - 3.10.2022". Our records indicate that the company representative inquired if the insured had any rental expenses, and the insured stated that she did not.

Statutory Notices Review

- (3) The dynamic Credit Adverse Action Notice (Form 26 20 01 CW) still requires correction:
- The Adverse Underwriting Decision (AUD) language is not included. Please see the attached Administrative Letter 2015-07 that provides the AUD prototype language.

Response: Form 26 20 01 CW has been revised to include the prototype language.

- The information required by 38.2-2234 A 2 is not included. The notice must either inform the insured/applicant of the primary factors used as the basis for the adverse action or notify the insured/applicant how to obtain the information from Root.

Response: Form 26 20 01 CW is programmed to show the primary factors the company relies upon in determining an adverse action. We have submitted an example of a credit-only adverse action notice, which shows that the notice will inform the insured/applicant of the primary factors relied upon in determining an adverse action.

- (4) The Company will need to have an Accident Point Surcharge notice available for new business policies too. This may be needed when a new driver with at-fault accidents is added to a new business policy mid-term.

- **Response:** Acknowledged. The company sends Form 26 20 01 CW when a policyholder adds a new driver with at-fault accidents to a policy mid-term.

Andrea Baytop

From: Andrea Baytop
Sent: Monday, January 23, 2023 11:15 AM
To: David Fogarty; Chris Rosser; Alex Pierce
Cc: Melody Morrissette; Joe Garber; William Felvey; Joy Morton
Subject: VA BOI-Root Response 1/23/23
Attachments: A.L. 2015-07 (AUD).pdf; nonbinarygenderratingMV.pdf

Good Afternoon,

Thank you for your response received January 13, 2023 for the Revised Report of Root Insurance Company.

We have two items to address before we conclude the examination process.

1) We found one issue with the Adverse Underwriting Decision (AUD) language in the revised notices submitted to complete Root's corrective action plan. Form 26 20 01 CW (12-2022) omits the following language/rights mentioned in the prototype: "...and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision." Again, the Company can review the AUD prototype provided in Administrative Letter 2015-07 (attached) or the statute itself (§ 38.2-610). Please provide a revised notice by January 27, 2023.

2) We want to make sure the company is aware of the requirements for non-binary gender rating that became effective July 1, 2020. This change was effective after the examination period, but it is important for future compliance. Root must make sure it provides the opportunity for applicants to select non-binary as a gender classification, in addition to the company having the necessary rules and/or rates to rate auto policies accordingly. Lastly, please note that it is not acceptable for the declarations page or policy system to indicate a non-binary driver as male or female when the non-binary gender has been selected. For additional information, please reference the attached letter that is also found on our website here:

<https://scc.virginia.gov/pages/Letters-to-Regulated-Entities-by-Topic>.

Our cover letter, Revised Report and enclosures have been uploaded to the secure portal. Please feel free to contact us if you have any questions. We look forward to your reply by January 27, 2023.

Thank you,

Andrea Baytop, AMCM

Manager
P&C Market Conduct Section
Virginia Bureau of Insurance
804.592.0245
andrea.baytop@scc.virginia.gov



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

January 23, 2023

VIA E-MAIL DELIVERY

David Fogarty
Vice President, Compliance
Root Insurance Company
80 E. Rich Street, Suite 500
Columbus, OH 43215

RE: Root Insurance Company NAIC #10974
Market Conduct Examination
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Fogarty:

The Bureau of Insurance (Bureau) has reviewed the response of January 13, 2023, to the Revised Market Conduct Report (Report) of Root Insurance Company (Company). The following only addresses unresolved items or items that have changed in the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Claims Review

- (2) A new violation is added for CPA063 and is cited under 14 VAC 5-400-40 A. The Company failed to disclose rental benefits available under the Uninsured Motorist Property Damage coverage. This violation was moved from Item (4) below.
- (4) After further review, the violation for CPA063 has been withdrawn from the Report. The Company contacted the insured and confirmed that no rental expenses were incurred.

PART TWO – CORRECTIVE ACTION PLAN

Claims Review

- (3) The \$999 underpayment for CPA063 regarding UMPD rental benefits has been removed from the Report.

The \$999 underpayment for CPA100 regarding UMPD rental benefits has been reduced to \$300 to reflect the payment made by the Company.

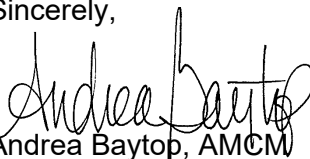
Statutory Notices Review

- (3 & 4) We found one issue with the Adverse Underwriting Decision (AUD) language in the revised notices submitted to complete Root's corrective action plan. Form 26 20 01 CW (12-2022) omits the following language/rights mentioned in the prototype: "...and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision." Again, the Company can review the AUD prototype provided in Administrative Letter 2015-07 (enclosed) or the statute itself (§ 38.2-610 of the Code of Virginia).

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 any review sheets withdrawn, added, or altered as a result of this review.

Once we have received and reviewed the Company's response to these items, we will be in a position to make a settlement offer. We look forward to your response by January 27, 2023.

Sincerely,



Andrea Baytop, AMCM
Manager, Market Conduct Section
Property & Casualty Division
Cell: (804) 592-0245
Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

Enclosures

Melody Morrissette

From: Alex Pierce <alex.pierce@root.com>
Sent: Friday, January 27, 2023 10:50 AM
To: Andrea Baytop
Cc: Chris Rosser; Melody Morrissette; Joe Garber; William Felvey; Joy Morton
Subject: Re: VA BOI-Root Response 1/23/23

Good morning, Andrea -- Thank you again for your assistance throughout this process. Please see our responses below and feel free to reach out to me with any questions.

Best,
Alex

--

Alex Pierce
Deputy General Counsel
[REDACTED] | [root.com](mailto:alex.pierce@root.com)



On Mon, Jan 23, 2023 at 11:14 AM Andrea Baytop <Andrea.Baytop@scc.virginia.gov> wrote:

Good Afternoon,

Thank you for your response received January 13, 2023 for the Revised Report of Root Insurance Company.

We have two items to address before we conclude the examination process.

1) We found one issue with the Adverse Underwriting Decision (AUD) language in the revised notices submitted to complete Root's corrective action plan. Form 26 20 01 CW (12-2022) omits the following language/rights mentioned in the prototype: "...and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision." Again, the Company can review the AUD prototype provided in Administrative Letter 2015-07 (attached) or the statute itself (§ 38.2-610). Please provide a revised notice by January 27, 2023.

Company Response: [We have uploaded revised notices that include this language verbatim.](#)

2) We want to make sure the company is aware of the requirements for non-binary gender rating that became effective July 1, 2020. This change was effective after the examination period, but it is important for future compliance. Root must make sure it provides the opportunity for applicants to select non-binary as a gender

classification, in addition to the company having the necessary rules and/or rates to rate auto policies accordingly. Lastly, please note that it is not acceptable for the declarations page or policy system to indicate a non-binary driver as male or female when the non-binary gender has been selected. For additional information, please reference the attached letter that is also found on our website here: <https://scc.virginia.gov/pages/Letters-to-Regulated-Entities-by-Topic>.

Company Response: Acknowledged. The company's rates include non-binary gender classifications.

Our cover letter, Revised Report and enclosures have been uploaded to the secure portal. Please feel free to contact us if you have any questions. We look forward to your reply by January 27, 2023.

Thank you,

Andrea Baytop, AMCM

Manager

P&C Market Conduct Section

Virginia Bureau of Insurance

804.592.0245

andrea.baytop@scc.virginia.gov



COMMONWEALTH OF VIRGINIA



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

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RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
scc.virginia.gov

February 24, 2023

VIA E-MAIL

Alex Pierce
Deputy General Counsel
Root Insurance Company
80 East Rich Street, Suite 500
Columbus, OH 43215
alexperce@joinroot.com

RE: Market Conduct Examination
Root Insurance Company, NAIC #10974
Examination Period: July 1, 2019 – June 30, 2020

Dear Mr. Pierce:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of January 27, 2023. Based upon the Bureau's review of the company's correspondence, we are now in a position to conclude this examination. Attached is the final Market Conduct Examination Report of Root Insurance Company (Report).

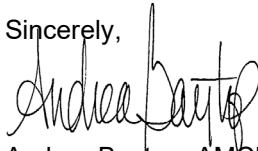
Based on the Bureau's review of the Report and the company's responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2- 305 A; 38.2-502 1; 38.2-510 A 1; 38.2-510 A 10; 38.2-604 B; 38.2-604.1 B; 38.2-610 A; 38.2-1318 C; 38.2-1905 A; 38.2-1906 A; 38.2-1906 D; 38.2-2206 A; 38.2-2208 A; 38.2-2210 A; 38.2-2212 E; 38.2-2220; 38.2-2230; 38.2-2234 A 1; 38.2-2234 A 2 of the Code of Virginia; and 14 VAC 5-400-40 A 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 "Andrea Baytop". The signature is written in a cursive style with a large initial 'A'.

Andrea Baytop, AMCM
Manager, Market Conduct Section
Property & Casualty Division
Cell: (804) 592-0245
Office: (804) 371-9547
andrea.baytop@scc.virginia.gov

ADB/pgh
Attachment

March 20, 2023

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

RE: Market Conduct Examination Settlement Offer
Ecase/Docket Number: INS-2023-00014

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated February 28, 2023, concerning the above-referenced matter.

We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2- 305 A; 38.2-502 1; 38.2-510 A 1; 38.2-510 A 10; 38.2-604 B; 38.2-604.1 B; 38.2-610 A; 38.2-1318 C; 38.2-1905 A; 38.2-1906 A; 38.2-1906 D; 38.2-2206 A; 38.2-2208 A; 38.2-2210 A; 38.2-2212 E; 38.2-2220; 38.2-2230; 38.2-2234 A 1; 38.2-2234 A 2 of the Code of Virginia; and 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.


- We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$79,200.
- We agree to comply with the corrective action plan set forth in the company's correspondence of March 18, 2022, June 17, 2022, September 20, 2022, November 23, 2022, December 7, 2022, January 13, 2023, and January 27, 2023.
- We confirm that restitution was made to 56 consumers for \$10,798.11 in accordance with the company's correspondence of March 18, 2022, June 17, 2022, September 20, 2022, November 23, 2022.
- We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.



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

Sincerely,

Root Insurance Company, NAIC #10974



(Signed)

Frank P. Palmer

(Type or Print Name)

Chief Insurance Officer

(Title)

3/20/2023

(Date)

Enclosure



COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 28, 2023

SEC - CLERK'S OFFICE
DOCUMENT CONTROL CENTER

COMMONWEALTH OF VIRGINIA, *ex rel.*

2023 APR 28 A 9:23

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2023-00014

ROOT INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), the Bureau has alleged that Root Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia, in certain instances violated: § 38.2-305 A of the Code of Virginia ("Code") by failing to specify the required information in the insurance policy; § 38.2-502 (1) of the Code by misrepresenting the benefits, advantages, conditions, or terms of an insurance policy; § 38.2-510 A 1 of the Code by misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue; § 38.2-510 A 10 of the Code by making claims payments to insureds or beneficiaries that were not accompanied by a statement setting forth the coverage under which payments were being made, with such frequency as to indicate a general business practice; §§ 38.2-604 B and 38.2-604.1 B of the Code by failing to include all the required information in the notices; § 38.2-610 A of the Code by failing to provide the applicant, policyholder, or individual proposed for coverage with the required written notice; § 38.2-1318 C of the Code by failing to provide convenient access to files, documents, and records to Commission personnel during an examination; § 38.2-1905 A of the Code by failing to provide the required notice; § 38.2-1906 A of the Code by failing to file with the Commission all rates and supplementary rate

information for use in Virginia on or before the date they become effective; § 38.2-1906 D of the Code by making or issuing insurance contracts or policies that were not in accordance with the rate and supplementary rate information filings that are in effect for the insurer; § 38.2-2206 A of the Code by failing to issue insurance policies with uninsured motorist limits equal to the limits of liability insurance provided by the policy, unless any one named insured rejected the additional uninsured motorist insurance coverage; § 38.2-2208 A of the Code by failing to obtain and retain valid proof of mailing the cancellation or nonrenewal notice; § 38.2-2210 A of the Code by failing to provide the requisite warning concerning cancellation statement on or attached to the application; § 38.2-2212 E of the Code by failing to cancel insurance policies properly; § 38.2-2220 of the Code by failing to use the precise language of standard automobile forms filed and adopted by the Commission; § 38.2-2230 of the Code by failing to offer in writing to the named insured the option of purchasing rental reimbursement coverage; § 38.2-2234 A 1 of the Code by failing to include all required information in the disclosure; § 38.2-2234 A 2 of the Code by failing to provide the required notice; as well as 14 VAC 5-400-40 A of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.* of the Virginia Administrative Code by failing to fully disclose to a first party claimant all pertinent coverages of an insurance policy under which a claim is presented, with such frequency as to indicate a general business practice; and 14 VAC 5-400-70 D by failing to offer to a first party claimant a fair and reasonable amount as shown by the investigation of the claim, with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219 and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a

defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of the right to a hearing in this matter whereupon the Defendant, without admitting or denying any violation of Virginia law, has made an offer of settlement to the Commission. Through its settlement offer, the Defendant has agreed to comply with the corrective action plan outlined in company correspondence dated March 18, 2022, June 17, 2022, September 20, 2022, November 23, 2022, December 7, 2022, January 13, 2023, and January 27, 2023; has confirmed that restitution was made to 56 consumers in the total amount of Ten Thousand Seven Hundred Ninety Eight Dollars and Eleven Cents (\$10,798.11); has tendered to the Treasurer of Virginia the amount of Seventy Nine Thousand Two Hundred Dollars (\$79,200); and has waived the right to a hearing.

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

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that the Defendant's settlement offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The Defendant's settlement offer is hereby accepted.
- (2) This case is dismissed.

Commissioner Patricia L. West participated in this matter.

A COPY hereof shall be sent by the Clerk of the Commission by electronic mail to: Alex Pierce, Deputy General Counsel, Root Insurance Company, at alexpierce@joinroot.com, 80 East Rich Street, Suite 500, Columbus, Ohio 43215; and a copy shall be delivered to the

Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy
Commissioner Zuhairah Tillinghast.

20050043