

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**NORTHERN NECK INSURANCE COMPANY**

**AS OF**

**December 31, 2018**

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

**Property and Casualty Division  
Market Conduct Section**

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Gloria Warriner, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Northern Neck Insurance Company as of December 31, 2018, conducted at the company's office in Irvington, 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-2020-00030 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 13<sup>th</sup> of April 2020.

A handwritten signature in black ink, appearing to read 'Gloria Warriner', written over a horizontal line.

Gloria Warriner  
Examiner in Charge

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## EXECUTIVE SUMMARY

The examination included a targeted review of Northern Neck Insurance Company's private passenger automobile and homeowner lines of business in Virginia for the period beginning January 1, 2018 and ending December 31, 2018. This review included policy terminations, claims handling, and forms.

This is the first market conduct examination the Bureau of Insurance (Bureau) has performed on this company in more than 20 years. The 20-year span is due to the introduction of Market Analysis. Because this company is a Chapter 25 company it is not required to complete the Market Conduct Annual Statement (MCAS).

The current examination revealed violations that were significant. There were 291 violations in this Report. Of these 291 violations, it should be noted that the company had no forms violations.

In contrast, the report revealed 134 termination violations. These violations included the company's terminating coverage for reasons not permitted by the statute after the underwriting period, failure to obtain written requests for insured requested terminations, failure to provide adequate days' notice when terminating coverage, failure to provide Adverse Underwriting Decision (AUD) notices on the company-initiated cancellations, and failure to properly calculate the earned premium when terminating coverage.

In the area of claims, there were 157 violations and six general business practices (GBP). There were two GBP's in private passenger automobile and four GBP's in homeowner. The company had violations that rose to the level of a GBP for failure to disclose all of the pertinent coverages to the insured, failure to offer the insured a fair and reasonable amount, failure to provide written denials when denying claims, providing a release that was broader than the coverage applicable, and misrepresenting facts relating

to the coverage at issue.

The Corrective Action Plan (CAP) requested that the company provide accurate and timely notices, terminate policies only for the reasons permitted by the statute, obtain written requests on insured requested terminations, properly calculate the earned premium, and include the AUD notice on terminations. In addition, the company should disclose all coverages applicable to the loss to the insured, offer an amount that is fair and reasonable, cease using releases that are broader than the coverage involved, and stop misrepresenting the conditions or terms of the policy. The CAP also requested that restitution of \$12,017.75 be made to 25 Virginia consumers.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a target examination has been made of the private passenger automobile and homeowner lines of business written by Northern Neck Insurance Company at their office in Irvington, Virginia.

The examination commenced April 28, 2019 and concluded September 6, 2019. Andrea D. Baytop, Ju'Coby D. Hendrick, Daniel R. Koch, Melody S. Morrissette, Latitia L. Orange, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on April 10, 2019 and was assigned the Action Number of VA-VA177-5. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

## COMPANY PROFILE\*

Northern Neck is a mutual insurance company that operates under a Chapter 25 charter in the Commonwealth of Virginia. Being a Chapter 25 carrier gives the company flexibility in forms, rate filings, and cancellation provisions. All of the company's business activity is located exclusively within Virginia. The company's primary products include homeowner, mobile homeowner, dwelling fire, and private passenger automobile in rural and suburban areas throughout the state. ISO policy forms are used for the homeowners and fire lines of business. Business is marketed through a network of independent agents.

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\* Source: Best's Insurance Reports, Property & Casualty, 2018 Edition.



The table below indicates when the company was licensed in Virginia and the lines of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized on January 1, 1906, except as noted in the table.

	<b>NNIC</b>
NAIC Company Number	10196
LICENSED IN VIRGINIA	3/4/1896
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	10/9/2018
Automobile Liability	11/8/2001
Automobile Physical Damage	11/8/2001
Boiler and Machinery	
Burglary and Theft	
Commercial Multi-Peril	1/1/1906
Credit	
Farmowners Multi-Peril	1/1/1906
Fidelity	
Fire	1/1/1906
General Liability	
Glass	
Homeowner Multi-Peril	1/1/1906
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 2018 for those lines of insurance included in this examination.\* This business was developed through independent agents.

<b>COMPANY AND LINE</b>	<b>PREMIUM VOLUME</b>
<b>Northern Neck Insurance Company</b>	
Private Automobile Liability	\$10,285,668
Private Automobile Physical Damage	\$8,787,324
Homeowner Multiple Peril	\$34,975,728

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\* Source: The 2018 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 targeted review of the company's private passenger automobile and homeowner lines of business written in Virginia for the period beginning January 1, 2018 and ending December 31, 2018. This review included policy terminations, claims handling, and forms. 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 rise to the level of a general business practice and are subject to a monetary penalty.

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

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

### **STATISTICAL SUMMARY**

The files selected for the review of the 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	NNIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto</b>						
Co-Initiated Cancellations <sup>1</sup>	<u>194</u> 38	<u>194</u> 38	13	0	13	100%
All Other Cancellations <sup>2</sup>	<u>1064</u> 25	<u>1064</u> 25	30	0	6	20%
Nonrenewals <sup>3</sup>	<u>75</u> 5	<u>75</u> 5	6	0	1	17%
Rejected Applications	<u>119</u> 15	<u>119</u> 15	15	0	15	100%
<b>Homeowner</b>						
Co-Initiated Cancellations <sup>4</sup>	<u>718</u> 47	<u>718</u> 47	31	0	30	97%
All Other Cancellations <sup>5</sup>	<u>3115</u> 39	<u>3115</u> 39	40	0	19	48%
Nonrenewals <sup>6</sup>	<u>154</u> 12	<u>154</u> 12	13	0	5	38%
<b>Claims</b>						
Auto	<u>4157</u> 101	<u>4157</u> 101	101	0	52	51%
Property <sup>7</sup>	<u>4684</u> 102	<u>4684</u> 102	101	0	48	48%

Footnote <sup>1</sup> - Ten files were insured requested, no violations were found, and they were not moved. Six files were moved to insured requested. One file was moved to nonpayment. One file was moved to nonrenewal. Three files were prior term cancellations and not reviewed. Four additional Ovr60 files were requested, after receiving documentation they were determined to be Fst60 and not reviewed.

Footnote <sup>2</sup> - Six files were moved from Ovr60 to insured requested. One file was moved from Ovr60 to nonpayment. Two files were expirations and not reviewed.

Footnote <sup>3</sup> - One file was moved from Ovr60 to nonrenewal.

Footnote <sup>4</sup> - One file was cancelled flat and not reviewed. One file was moved from nonpayment to Fst90. One file was cancelled in the prior term and not reviewed. Ten files were insured requested, no violations were found and they were not moved. One file was an expiration and not reviewed. Two files moved from Ovr90 to the insured requested category. One file in the Ovr90 category was an insured requested and not reviewed. One file was moved from the Ovr90 to the nonrenewal category.

Footnote <sup>5</sup> - Two files from Ovr90 category were moved to insured requested. One file from the insured requested category was moved to Fst90.

Footnote <sup>6</sup> - One file moved from Ovr90 to nonrenewal.

Footnote <sup>7</sup> - One file was an auto claim 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.

### **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 60<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed five automobile cancellations that were initiated by the company where the notice was mailed prior to the 60<sup>th</sup> day of coverage in the initial policy period. During this review, the examiners found no overcharges and no undercharges.

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

#### **NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed eight automobile cancellations that were initiated by the company where the notice was mailed on or after the 60<sup>th</sup> 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.

- (1) The examiners found eight violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an AUD.
- (2) The examiners found five violations of § 38.2-2212 D of the Code of Virginia.
  - a. In three instances, the company cancelled the policy for a reason not

permitted by the statute.

- b. In one instance, the company cancelled the insured's motor vehicle policy due to revocation or suspension of a driver's license that did not occur during the period of time allowed by the statute.
  - c. In one instance, the company failed to obtain sufficient documentation from the insured verifying relocation to another state that would permit the company to cancel the policy mid-term.
- (3) The examiners found eight violations of § 38.2-2212 E of the Code of Virginia.
- a. In seven instances, the company failed to mail the cancellation notice to the insured at least 45 days prior to the effective date of cancellation.
  - b. In one instance, the company failed to state a specific reason for the cancellation.

### **All Other Cancellations – Automobile Policies**

#### NONPAYMENT OF THE PREMIUM

The examiners reviewed nine automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (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. The company charged fees that were not applicable to the policy.
- (2) The examiners found two violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (3) The examiners found six violations of § 38.2-2212 E of the Code of Virginia.
  - a. In two instances, the company failed to mail the cancellation notice to the

insured at least 15 days prior to the effective date of cancellation.

- b. In two instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
- c. In two instances, the company failed to advise the insured of the availability of other insurance.

#### REQUESTED BY THE INSURED

The examiners reviewed 21 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation 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.
- (2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to honor the cancellation date requested by the insured.

#### **Company-Initiated Nonrenewals – Automobile Policies**

The examiners reviewed six automobile nonrenewals that were initiated by the company.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an AUD.
- (2) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to mail the cancellation notice to the insured at least 45 days prior to the effective date of cancellation.



**Rejected Applications – Automobile Policies**

The Bureau reviewed 15 automobile insurance applications for which the company declined to issue a policy.

The examiners found 15 violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an AUD.

**Homeowner Policies****Company-Initiated Cancellations – Homeowner Policies**NOTICE MAILED PRIOR TO THE 90<sup>TH</sup> DAY OF COVERAGE

The examiners reviewed nine homeowner cancellations that were initiated by the company where the notice was mailed prior to the 90<sup>th</sup> day of coverage in the initial policy period. During this review, the examiners found overcharges totaling \$15 and undercharges totaling \$15. The net amount that should be refunded to insureds is \$15 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company is inconsistent in applying fees.
- (2) The examiners found seven violations of § 38.2-610 A of the Code of Virginia. The company failed to provide a written AUD notice to the insured.
- (3) The examiners found six violations of § 38.2-2514 of the Code of Virginia. The company failed to show the notice was deposited with the United States Postal Services (USPS) and mailed to the insured.
- (4) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to provide adequate days' notice of cancellation to the insured.

NOTICE MAILED AFTER THE 89<sup>TH</sup> DAY OF COVERAGE

The examiners reviewed 22 homeowner cancellations that were initiated by the company where the notice was mailed on or after the 89<sup>th</sup> 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.

- (1) The examiners found 22 violations of § 38.2-610 A of the Code of Virginia. The company failed to provide a written AUD notice to the insured.
- (2) The examiners found six violations of § 38.2-2514 of the Code of Virginia. The company failed to show the notice was deposited with the USPS and mailed to the insured.
- (3) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In one instance, the company failed to retain a copy of the final cancellation notice with the IMb code.
  - b. In two instances, the company failed to abide by the policy and only cancel the policy for reasons specified in the policy.

**All Other Cancellations – Homeowner Policies**NONPAYMENT OF THE PREMIUM

The examiners reviewed 16 homeowner cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found four violations of § 38.2-2514 of the Code of Virginia. The company failed to show the notice was deposited with the USPS and mailed to the insured.
- (2) The examiners found 14 occurrences where the company failed to comply with the

provisions of the insurance policy. The company failed to correctly calculate the unearned premium. The company is charging a late fee when payment is not received.

REQUESTED BY THE INSURED

The examiners reviewed 24 homeowner 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 \$82.36 and no undercharges. The net amount that should be refunded to insureds is \$82.36 plus six percent (6%) simple interest.

- (1) The examiners found five violations of § 38.2-2513 A of the Code of Virginia.
  - a. In three instances, the company failed to properly calculate unearned premium.
  - b. In two instances, the company failed to honor the cancellation date requested by the insured.
- (2) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to honor the date of cancellation requested by the insured.

**Company-Initiated Nonrenewals – Homeowner Policies**

The examiners reviewed 13 homeowner nonrenewals that were initiated by the company. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured a written AUD.
- (2) The examiners found four violations of § 38.2-2514 of the Code of Virginia. The company failed to show the notice was deposited with the USPS and mailed to the insured.
- (3) The examiners found two occurrences where the company failed to comply with

the provisions of the insurance policy. The company failed to state the reason for the nonrenewal in the notice.

### **CLAIMS REVIEW**

#### **Private Passenger Automobile Claims**

The examiners reviewed 101 automobile claims for the period of January 1, 2018 through December 31, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$2,343.22 and underpayments totaling \$4,582.32. The net amount that should be paid to claimants is \$4,580.32 plus six percent (6%) simple interest.

- (1) The examiners found seven 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 claims.
- (2) The examiners found five 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 two instances, the company failed to disclose to an insured the physical damage deductible when the file indicated that the coverage was applicable to the loss.
  - b. In three instances, the company failed to disclose to an insured the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage (UMPD) coverage and/or Underinsured Motorist (UIM) coverage when the file indicated the coverage was applicable to the loss.

- (3) The examiners found 24 violations of 14 VAC 5-400-40 E. The company issued a check or draft in partial settlement of a loss or claim which contained a release that extends beyond the subject matter of the payment.

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

- (4) The examiners found one violation of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.
- (5) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (6) 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.
- (7) The examiners found 21 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 four instances, the company failed to pay the insured's UMPD coverage claim properly.
  - b. In 16 instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first party total loss settlement.
  - c. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits (MEB)

coverage.

- These findings occurred with such frequency as to indicate a general business practice.
- (8) The examiners found four violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In one instance, the company failed to provide a copy of the repair estimate to the insured.
  - b. In three instances, the company failed to provide a copy of the repair estimate to the claimant.
- (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 one violation of § 38.2-2201 D of the Code of Virginia. The company failed to obtain a valid Assignment of Benefits (AOB) from the insured authorizing the company to make payments directly to the medical provider.
- (11) The examiners found seven occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company made payment directly to the insured and failed to include the lienholder on the check.
  - b. In five instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
  - c. In one instance, the company failed to pay the claim under the correct coverage.

Other Law Violations

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

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

**Homeowner Claims**

The examiners reviewed 101 homeowner claims for the period of January 1, 2018 through December 31, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found no overpayments and underpayments totaling \$6,684. The net amount that should be paid to claimants is \$6,684 plus six percent (6%) simple interest.

- (1) The examiners found seven 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 claims.
- (2) The examiners found 12 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 eight instances, the company failed to disclose to an insured the benefits under the Additional Living Expense (ALE) coverage of the policy.
  - b. In three instances, the company failed to disclose to an insured the replacement cost benefits under the personal property coverage of the policy.
  - c. In one instance, the company failed to disclose to an insured the replacement cost benefits under the other structures coverage of the policy.

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

- (3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 working days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
- (4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found eight violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

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

- (6) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (7) The examiners found 13 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 eight instances, the company failed to pay the entire claim under the insured's Dwelling Replacement Cost coverage.
  - b. In three instances, the company failed to pay the entire claim under the insured's ALE coverage.



- c. In one instance, the company failed to pay the entire claim under the insured's Additional coverage.
- d. In one instance, the company failed to pay the entire claim under the insured's Personal Property Replacement Cost coverage.

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

- (8) The examiners found four violations of 14 VAC 5-400-90. The company failed to provide the homeowner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (9) The examiners found 22 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.

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

- (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. The company unreasonably delayed the settlement of a claim.
- (11) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In one instance, the company failed to include the lienholder on the check when applicable.
  - b. In five instances, the company failed to pay a claim in accordance with the provisions of the policy.
  - c. In two instances, the company failed to pay the claim under the correct

coverage.

### **FORMS REVIEW**

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

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the company.

### **Automobile Policy Forms**

#### **POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The company provided copies of 26 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

#### **POLICY FORMS CURRENTLY USED**

The examiners found no additional forms to review.

### **Homeowner Policy Forms**

#### **POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The company provided copies of 70 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements and forms, 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**

Northern Neck Insurance Company shall:

Provide a CAP with their response to this Report.

### **Termination Review**

Northern Neck Insurance Company shall:

- (1) Correct the errors that caused the overcharges and send refunds to the insureds or credit the insured's account the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insured's account.
- (3) Complete and submit to the Bureau the attached file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Calculate return premium according to the filed rules and policy provisions.

- (5) Provide the insured a written AUD notice.
- (6) Obtain valid proof of mailing the cancellation notice to the insured.
- (7) Cancel private passenger automobile policies when the notice is mailed after the 59<sup>th</sup> day of coverage only for those reasons permitted by § 38.2-2212 D of the Code of Virginia.
- (8) Mail the cancellation notice to the insured at least 45 days prior to the effective date of the cancellation.
- (9) Obtain a written request when the insured requests cancellation of the policy.
- (10) Show that the notice was deposited with the USPS and mailed to the insured.

### **Claims Review**

Northern Neck Insurance Company shall:

- (1) Correct the errors that caused the overpayments and underpayments and send refunds to the insureds and claimants in the amount of the underpayment as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded to the insureds and claimants.
- (3) Complete and submit to the Bureau the attached file titled "Claim Overpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded the overpayments and underpayments listed in the file.
- (4) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to ALE, Personal Property Replacement cost benefits, and Additional coverages.
- (5) Make all claim denials in writing and keep a copy in the claim file.

- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.
- (7) Adopt and implement reasonable standards for the prompt investigation of claims.
- (8) Remove the wording "Full and Final" from checks where the company has not confirmed the possibility of supplemental payments.

### **PART THREE – RECOMMENDATIONS**

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

#### **RECOMMENDATIONS**

We recommend that the company take the following actions:

##### **Termination**

- Review the requested cancellation to determine if the insured was the one who requested the cancellation.
- Confirm the address on the cancellation notice is the one on the declarations page.
- Remove the “Important Notice” language from the homeowner cancellation notice.
- Revise the language on the Final Cancellation notice to include the Virginia Property Insurance Association.

##### **Claims**

- Properly document the claim file so that all events and dates pertinent to the claim can be reconstructed.
- Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.
- Provide appropriate reply within 15 calendar days to pertinent communications.
- Provide a reasonable explanation for the basis of a claim denial.
- Notify the insured, in writing, every 45 days of the reason for the company’s delay in completing the investigation of the claim.
- Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- Provide copies of homeowner repair estimates prepared by or on behalf of the company to homeowners.

- Make prompt and fair settlement of a claim in which liability is clear.
- Implement reasonable standards for the prompt investigation of claims.
- Obtain a valid AOB from an insured authorizing the company to make payments directly to the medical provider.
- Include the lienholder on checks where applicable.
- Pay no more than an insured is entitled to receive under the terms of the policy.
- Make claim payments under the correct coverage.

### **Forms**

- Contact the Bureau's Rates and Forms Section to correct any inconsistencies in Homeowner Superior Risk endorsement, NN HO 213 0412.
- Revise either the Equipment Breakdown coverage, NN HO EB or the Actual Cash Value Mobile Home endorsement, MH 04 02 to clarify that Loss Settlement provisions of the MH 04 02 endorsement replaces Condition 2 of the NN HO EB endorsement.
- Review its other endorsements that are sold on mobile home policies and make filings to clarify the ACV loss settlement.

### **SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

The Bureau conducted one prior market conduct examination of Northern Neck Insurance Company.

During the farmowners, homeowner, and dwelling fire examination of Northern Neck Insurance Company as of March 31, 1997, the company violated §§ 38.2-510 A 6, 38.2 -510 A 10, 38.2-510 C 1, and 38.2-511 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-60 B, and 14 VAC 5-400-70 A of the Virginia Administration Code.



**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 "Gloria Warriner". The signature is fluid and cursive, with a prominent initial "G" and a long, sweeping tail.

Gloria Warriner  
Senior Insurance Market Examiner

# 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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September 18, 2019

## VIA E-MAIL DELIVERY

Peter Cammarata  
President & CEO  
Northern Neck Insurance Company  
4981 Irvington Road  
Irvington, VA 22480

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC #10196  
Examination Period: April 1, 2018 – March 31, 2019

Dear Mr. Cammarata:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of Northern Neck Insurance Company for the period of April 1, 2018 through March 31, 2019. 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 September 6, 2019. Also attached are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the company, 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 they agree. If the company disagrees with an item or wishes to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the company provides written documentation to support their 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 of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

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

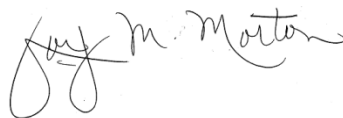
Finally, we have attached an Excel file that the company must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by October 22, 2019.

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 October 22, 2019.

Sincerely,

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

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Attachment



October 15, 2019

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

RE: Market Conduct Examination  
Northern Neck Insurance Company (NAIC #10196)  
Examination Period-January 1, 2018 - December 31, 2018

Dear Ms. Morton,

Attached is our response to the Bureau's Preliminary Examination Report.

Our response follows the same format and numbering for each section as in the Report. We have not included a response on items in Part One where we have no further documentation to provide; for these we acknowledge the Bureau's findings. We include separate documentation on those items in Part One for which we seek additional consideration from the Bureau. Please note that we have not processed proposed payment of items which are contested on the attached restitution worksheet.

Thank you and your team for your cooperation and assistance. We appreciate the opportunity to provide documentation in support of our position and look forward to resolving the remaining issues in the Exam.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Cammarata", written over a faint, circular watermark or stamp.

Peter Cammarata  
President and CEO

Enclosures

## PART ONE – THE EXAMINERS’ OBSERVATIONS

### TERMINATION REVIEW

The review examination period was January 1, 2018 to December 31, 2018.

As of September 6, 2019, when the exam was deemed concluded by the Bureau of Insurance there are still several review items for which Northern Neck Insurance Company has not received an acknowledgement.

The following list includes items requesting specific documentation which were uploaded through the Bureau of Insurance’ FTP portal. In several instances the instances have been recorded as a violation seemingly without regard to our response.

BOI Ref #	Review Sheet #
TPA002	TermFst60PPA0593038249
TPA009	TermIRPPA1222770966
TPA009	TermIRPPA-1071652179
TPA010	TermOvr60PPA202707878
TPA010	TermOvr60PPA-1448563016
TPA010	TermOvr60PPA-880729886
TPA010	TermOvr60PPA1616851726
TPA014	TermOvr60PPA-447375722
TPA014	TermOvr60PPA-25860098
TPA014	TermOvr60PPA-914355240
TPA014	TermOvr60PPA-1253349074
TPA019	TermOvr60PPA1556108279
TPA022	TermOvr60PPA-1498996429
TPA022	TermOvr60PPA-490635146
TPA024	TermOvr60PPA-338797970
TPA032	TermNPPPA333901341
TPA036	TermNPPPA1091422189
TPA037	TermNPPPA-2051835945
TPA039	TermNPPPA-1572598077
TPA044	TermIRPPA969508836
TPA056	TermNRPPA-615997385
TPA058	TermNRPPA775335059
TPA060	TermNRPPA500954287
TPA082	TermOvr60PPA1472082232
THO019	TermOvr90HO-123713522
THO035	TermOvr90HO-1334126292

THO036	TermOvr90HO1557234803
THO042	TermNPHO1337453350
THO044	TermNPHO998271961
THO046	TermNPHO-1416390088
THO049	TermNPHO-1812520465
THO052	TermNPHO-870811217
THO054	TermNPHO509648324
THO056	TermFst90HO-1340619256
THO058	TermNPHO-1044786315
THO075	TermIRHO-308877528
THO098	TermOvr90HO-370342772

We are unable to agree with the statistical findings of the report until the above reviews are acknowledged, upheld or withdrawn based on these responses.

In addition, we received a request for additional information on TermOvr60PPA-2047478953 on September 4, 2019. An attempt was made to upload the response to the FTP that day, however the FTP was closed as the exam had been deemed closed. We would like to add the following comment at this time:

The policy under review was issued in the new agency system on or about 08-08-17 effective 10-6-17 to 10-7-18 as a renewal of a policy expiring on our obsolete policy administration system. The customer requested cancellation of the expiring policy prior to expiration date of the 10-6-16 to 10-7-17 term. This action rendered the renewal policy invalid. The policy was cancelled by action on the preceding term and prior to the effect date of the policy term examined. The policy numbers vary between the two policy systems.

### **All Other Cancellations – Automobile Policies**

#### **NONPAYMENT OF PREMIUM**

- (1) During the exam it was explained on each occurrence that the posting of a \$15.00 late on the billing screen did not indicate that any fee was actually collected. When a policy cancels for nonpayment of premium the system posts the late fee to the outstanding balance. Northern Neck does not pursue any premium or fees owed on policies which cancel for nonpayment. These premiums and fees are written off. In the following review the \$15.00 late fee was never collected and thus cannot be refunded as an over charge:

BOI Ref #	Review Sheet #
TPA033	TermNPPPA-875820255

## **All Other Cancellations – Homeowner Policies**

### **NONPAYMENT OF PREMIUM**

- (2) During the exam it was explained on each occurrence that the posting of a \$15.00 late on the billing screen did not indicate that any fee was actually collected. When a policy cancels for nonpayment of premium the system posts the late fee to the outstanding balance. Northern Neck does not pursue any premium or fees owed on policies which cancel for nonpayment. These premiums and fees are written off. In the following reviews the \$15.00 late fee was never collected and thus cannot be refunded as an over charge:

BOI Ref #	Review Sheet #
THO042	TermNPHO1337453350
THO043	TermNPHO-1547080647
THO044	TermNPHO998271961
THO046	TermNPHO-1416390088
THO045	TermNPHO-1561434547
THO047	TermNPHO-176744415
THO049	TermNPHO395425205
THO051	TermNPHO-1794493687
THO052	TermNPHO-870811217
THO053	TermNPHO-123845603
THO054	TermNPHO509648324
THO055	TermNPHO-1357816591
THO056	TermOver90HO1885084783
THO057	TermNPHO1375777157
THO058	TermNPHO-1044786315

In addition, we have no record of THO047 TermNPHO-1416390088. Please provide a copy of this review sheet.

### **CLAIMS REVIEW - Private Passenger Automobile Claims**

The review period for automobile claims was from 01/01/18 thru 12/31/18.

- 1. The examiners found seven violations of 14 VAC 5-400-30C – failing to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claims.***

### **RESPONSE**

The company disagrees with violation for CPA026/ClaimVehPPA-1331413046 – failure to mail a copy of the estimate – the file note indicated we mailed a copy of the estimate with the check but there was not a copy of that letter in the claim file. The BOI has requested we reimburse the insured \$630.00 for an underpayment. We paid our Member \$4,827.93 in settlement of his UMPD claim. The insured

Northern Neck Insurance Company  
Market Conduct Examination Response

confirmed he did not need a rental, three other vehicles scheduled on the policy. The company request the BOI reevaluate the amount of the payment required for this review sheet- \$630.00.

- 7. The examiners found 21 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.**

**RESPONSE – 7A**

- The company disagrees with the violations cited for CPA099/ClaimVehPPA-166625778 – the company failed to waive the deductible resulting in an underpayment of \$200.00. This violation was withdrawn on September 5, 2019 and moved to 14 VAC 5-400-70-D/6. The company request the BOI remove this violation.
- The company disagrees with the violation cited for CPA088/ClaimVehPPA-1831148395 – the company failed to waive the UM deductible for a known uninsured motorist. This violation was moved from review sheet 933135698 for which we never received a response. The rebuttal was submitted on 6/12/19 with a copy of the check confirming proper settlement without a response. We ask that the BOI remove the violation for this review sheet - \$200.00.

**RESPONSE – 7C** CPA035/ClaimVehPPA –16572922040 - failure to pay the claim in accordance with the policy provision under the insured’s Medical Expense Benefits coverage. The BOI has asserted that we owe the Member \$672.52 as an underpayment. We continue to challenge this finding as the Pivot Physical Therapy bill clearly states the amount paid by the health carrier, leaving a balance of \$251.48, we further confirmed with the provider that there was not an outstanding balance. The company is requesting removal of the violation and overpayment. The company understands the requirement for an AOB but it seems contradictory to our effort to resolve an outstanding bill on behalf of our Member who was attorney represented for this claim.

- 10. The examiners found two violations of 38.2-2201 D of the Code of Virginia – failure to obtain a valid AOB from the insured authorizing the company to make payments directly to the medical provider.**

**RESPONSE** The company requests the BOI review its position on CPA078/ClaimVehPPA- 1715037355 and CPA011/ClaimVehPPA481881. The BOI has stated per a review of a competitor’s response that” the following classes of injured insureds may be excluded from the requirements of the valid AOB pursuant to 38.2-2201: Medicare, Medicaid, and Tricare...: No health insurance...: and Liens (federal or state).

- CPA078 – The Member contacted the handling adjuster and requested we pay the provider directly because the accounts went into collection. The EOB’s for these payments were in the claim file. We ask the BOI to remove this violation. We did not have the AOB, but our contract is with our Member who wanted to protect her credit and requested we pay the provider direct. This Member is also a Medicare recipient – an insured class that is excluded from the AOB requirements. The company request removal of this violation - \$2,739.80.
- CPA011 – The Member was represented by an attorney who has the authority to direct payments on the behalf of their client. Payments per the attorney’s request were made to the provider and mailed to his office totaling \$5,618.84. The bills confirm the claimant was a Medicaid recipient (see bill confirming claimant’s primary insurance is Medstar Family Choice).



This Medicaid recipient is in the class of individuals excluded from the AOB requirements. The company request removal of this violation - \$4,123.00.

### **CLAIMS REVIEW – Homeowner Claims**

The review period for homeowners' claims was from 1/1/18 thru 12/31/18.

7. ***The examiners found 13 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.***

***CH0089/ClaimPropHO-1075961395 – underpayment of \$1,000.00 – depreciation of demo and haul off***

***CHO101/ClaimPropHo-1601326001 – underpayment of 100.00 – debris removal depreciation***

### **RESPONSE**

- The BOI is taking the position that labor, remove/reset, debris removal, etc. are not depreciable items. The attached case law, Harper v. Penn Mut. Fire Ins. Co. United States District Court for the Eastern District of Virginia, Norfolk Division, December 15, 1961, Civ. A. No. 3376 seems to confirm that Virginia determines ACV based on the broad evidence rule. The broad evidence rule permits the introduction and consideration of any evidence logically tending to the formation of a correct estimate of the value of the destroyed or damaged property for the purpose of the ascertaining the actual cash value at the time of loss.
  - The following items: labor, overhead and profit, demo and haul off and debris removal are cost that are consistently considered in determining a complete estimate of repairs. The company request the BOI withdraw the above violations based on the most relevant case law available and underpayments totaling \$1,100.00.
9. ***The examiners found 22 violations of 38.2-510 A 1. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage issue.***
- ***CHO001/ClaimPropHO-111694769 – the examiner originally opined that the company incorrectly informed the insured there was a maximum amount for replacement cost on the dwelling and personal property. The letters sent to the insured indicated that the insured is entitled to make a supplemental claim for actual cost of the repair or replacement of the damaged property: however, the letter then states that it cannot exceed a certain dollar amount. Underpayment of \$46.39.***
  - ***This was withdrawn on 9/6/19 - examiner comment "after further review the violation has been removed".***

***This is the same violation noted on the following review sheets:***

***CHO006/ClaimPropHO – 458805700 – underpayment of \$26.45***

***CHO027/ClaimPropHO – 17940099797 – underpayment of \$485.29***

**CHO032/ClaimPropHO – 136231126 – underpayment of \$82.97**

**CHO040/ClaimPropHO -309371102- underpayment of \$500.00**

**CHO071/ClaimPropHO -1571145959 – underpayment of \$758.12**

**CHO062/ClaimPropHO – 460137924 – underpayment of \$126.39**

**CHO099/ClaimPropHO – 2081728275 – underpayment of \$136.29**

**RESPONSE** The company is requesting the removal of the above violations. The company disagreed that the replacement cost letter was misleading. We did agree to change the letter not expecting a fine as we confirmed with the examiners that the company routinely pays replacement cost claims. The files do not have any evidence of an underpayment of the claims. We updated the letter for further clarification but not because we agreed that we were limiting coverage. We added one sentence to the existing letter. Since the examiner withdrew the violation on CHO001 we are requesting all the above violations are removed since they are a result of the same issue - clarity of the replacement cost letter, along with the underpayments - \$2,116.12.

**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. The company unreasonable delayed the settlement of a claim.**

**RESPONSE** CHO042/ClaimPropHO – 193297135 – the examiner refused to withdraw this violation as the notes in the file stated we needed a recorded statement from our insured. That is the normal process. The insured would not respond to our contact attempts. We were able to speak to the police officer and paid the claim. We are required to confirm the loss facts. We ask the BOI to withdraw this violation as there was not an unreasonable delay on the part of the company. The insured completed the inventory sheet on 7/19/18 but never had a conversation with the adjuster. We made reasonable follow up and finally reached the police officer. The police officer confirmation on 10/27/18 enabled us to resolve the claim. The underpayment is noted at \$2,223.10. We ask for removal of the violation, if not, please clarify the basis for paying this claim twice.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **TERMINATION REVIEW**

Northern Neck Insurance Company shall:

1. Once we receive an acknowledgement to the outstanding review listed in Part 1 regarding the applications of policies fees, we will review this request.
2. Once we receive an acknowledgement to the outstanding review listed in Part 1 regarding the applications of policies fees, we will review this request.
3. Once we receive an acknowledgement to the outstanding review listed in Part 1 regarding the applications of policies fees, we will review this request.
4. We will calculate return premium according the rules and policy provisions
5. We will provide the insured with an AUD notice
6. We will obtain valid proof of mailing of the cancellation notice to the insured.
7. We will cancel private passenger auto policy when the notice is mailed after the 59<sup>th</sup> day of coverage only for those reasons permitted by s/s 38.2.121 D of the Code of Virginia.
8. We assume this statement refers to Private Passenger Automobile cancellations. We will mail the cancellation notice to the insured at least 45 days prior to the effective date of the cancellation.
9. We will obtain a written request when the insured requests cancellation of the policy.
10. See response to number 6 above. This is the same issue stated another way.

### **CLAIMS REVIEW**

Northern Neck Insurance Company shall:

1. We will correct the errors that caused the overpayment and underpayments and send refunds to the insureds in the amount of the underpayment as of the date the error first occurred – pending a response to the rebuttals outlined in the MCE report.
2. Include six percent (6%) simple interest in the amount refunded to the insureds – pending a response to the rebuttals outlined in the MCE report.
3. Complete and submit the “Claim Overpayment Cited during the Examination” report – pending a response to the rebuttals outlined in the MCE report.
4. We have met with our team and confirmed the following expectations:
  - 14 VAC 5-400-30 C – claims adjusters must document all file activity to sufficiently reconstruct events and/or dates that are pertinent to claims.
  - 14 VAC 5-400-40 A, 38.2-510 A 1 – advised the adjusting team that they are required to document that they have explained all available coverage, benefits and provisions to the insured.
  - 14 VAC 5-400-60 B – the company will follow up a verbal denial of a claim or a portion of it in writing and keep a copy of the denial letter in the file.
  - 14 VAC 5-400-40 E, 14 VAC 5-400-70 D, 38.2-510 A 6 – the company will offer the insured a fair and reasonable settlement based on the investigation of the claim and the policy

Northern Neck Insurance Company  
Market Conduct Examination Response

- provisions. The company has removed the “full and final” settlement language on payments unless the final is documented that the payments represents a conclusion to the claim.
- 14 VAC 5-400-50 C, 14 VAC 5-400-60 B – the company will respond to all request – written or verbal – within 15 calendar days, follow up the insured, in writing, every 45 days, confirming the reason for a delay with settlement.
  - The company has a requirement for timely investigation of claims and reviewed the Unfair Claims Practices Act with the adjusting staff. Claims leaders will continue to review files for timeliness and will offer coaching on the expectations were warranted.

## **PART THREE – RECOMMENDATIONS**

### **TERMINATION**

- We will review the requested cancellation to determine that the insured was the one who requested the cancellation
- We will confirm the address on the cancellation notice is the one on the declarations page.
- Regarding the removal of the “Important Notice” language from the homeowner’s cancellation notice for which we received no review sheet, we believe that this recommendation is in reference to the notice generated in our obsolete policy administration system. This version of the notice is no longer in use.
- Regarding the revision of the Final Cancellation notice to include the Virginia Property Insurance Plan for which we received no review sheet, we believe that this recommendation is in reference to the notice generated in our obsolete policy administration system. This version of the notice is no longer in use.

### **CLAIMS**

The claims department acknowledges the recommendations and will implement them as suggested. We have met with our claims team and reviewed each of the recommendations.

### **FORMS**

- We have taken this recommendation to address inconsistencies in NN HO 213 04 12 under advisement.
- The recommendation regarding NN HO EB 04 07 is based on review CHO048 ClaimPropHO-180881228. In this instance the coverage analysis was incorrect as acknowledged. The form stands alone with its own loss payable clause and is not dependent on any underlying coverage form regarding loss settlement. No changes will be made.

# COMMONWEALTH OF VIRGINIA

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



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November 15, 2019

## VIA E-MAIL DELIVERY

Peter Cammarata  
President & CEO  
Northern Neck Insurance Company  
4981 Irvington Road  
Irvington, VA 22480

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC #10196  
Examination Period: January 1, 2018 – December 31, 2018

Dear Mr. Cammarata:

The Bureau of Insurance (Bureau) has reviewed the October 15, 2019 response to the Preliminary Market Conduct Report (Report) of the Northern Neck Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Termination Review

The review sheets listed in the table in the Company's response were all withdrawn except the following of which a copy is enclosed with this letter:

- TPA014 TermOvr60PPA 25860098
- TPA014 TermOvr60PPA 914355240
- TPA014 TermOvr60PPA 1253349074
- TPA022 TermOvr60PPA 1498996429
- THO042 TermNPHO 1337453350
- THO044 TermNPHO 998271961
- THO046 TermNPHO 1416390088
- THO054 TermNPHO 509648324
- THO056 TermFst90HO 1340619256
- THO058 TermNPHO 1044786315

- THO075 TermIRHO 308877528

The violation for TPA077 stays in the Report. The termination under review was a cancellation after the 60<sup>th</sup> day of coverage. The notice sent to the insured for this cancellation indicated that the notice was sent for an increase in hazard due to suspension and a reckless driving conviction.

#### **Automobile Nonpayment of Premium**

- (1) The Company is billing insureds for a late premium that is never late because the insured allows the policy to cancel. The Company is billing all insureds this \$15 fee but not seeking to collect it if the insured does not pay it but keeping the payment if the insured does pay. The overcharge amount for TPA033 is withdrawn from the spreadsheet, but the violation remains.

#### **Homeowner Nonpayment of Premium**

- (1) The Company is billing insureds for a late premium that is never late, as the insured allows the policy to cancel. The Company is billing all insureds this \$15 fee but not seeking to collect it if the insured does not pay it but keeping the payment if the insured does. The overcharges cited in the Company's response are withdrawn from the spreadsheet, but the violation remains in the Report.

Review Sheet TermNPHO 1416390088 corresponds to THO046. The Company responded to this review sheet. A copy of the review sheet with the Company's response is included.

#### **Automobile Claims**

- (1) The \$630 underpayment cited on Bureau reference number CPA026 is not for the documentation error (14 VAC 5-400-30 C) in this section of the Report. This violation was cited in Section 7 (14 VAC 5-400-70 D) and will be addressed in that Section. The violation on review sheet ClaimVehPPA 1331413046 was for the Company's failure to properly document the claim file. This violation remains in the Report.
- (7a) The violation of CPA026 remains in the Report. The Company has responded that the insured confirmed that he did not need a rental, that there are three other vehicles on the policy. The notes in the claim file do not include this conversation, for reconsideration, please provide documentation of this conversation with the insured.  
  
The violation of CPA088 remains in the Report. The Company has failed to make the \$200 restitution. The uninsured motorist was identified; therefore, no deductible should have been applied to this loss.  
  
The violation of CPA099 remains in the Report. Review Sheet ClaimVehPPA-166625778 was replaced by Review Sheet ClaimVehPPA-1244414857 for consistency in Report writing. The \$200 underpayment for failing to waive the UM deductible for a known uninsured motorist still applies.
- (7c) The violation of CPA035 remains in the Report. The Company paid the medical provider without a valid assignment of benefits (AOB). The medical expense benefits (MEB) endorsement requires that the payment be made directly to the insured except as provided by § 38.2-2201 of the Code of Virginia. The Code allows for payment to the provider if the Company has received a **valid** AOB from the provider. Neither the Code nor the policy makes an exception for an attorney represented insured.

- (10) The violations for CPA011 and CPA078 remain in the Report. For reconsideration, please provide evidence that the payment was made by Medicare or Medicaid.

### **Homeowner Claims**

- (7) The violations of CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, CHO089, CHO099, and CHO101 remain in the Report. Debris removal is not subject to depreciation because it is not paying for the value of destroyed or damaged property – it is paying reasonable expenses of removal – please read the debris removal clause in policy.
- (10) The violations of CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, and CHO099 remain in the Report. These violations were not restitution bearing violations. These violations were all due to the Company's misleading language on the replacement cost provisions. The premium bearing violations on these claims have been addressed in Section 7 above.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Termination**

- (1-3) The Company should make the outstanding restitution shown on the enclosed Restitution spreadsheet.
- (4-10) The Company has not specified the actions it will take to avoid the noncompliant actions happening in the future. The Company must develop a specific Corrective Action Plan (CAP). This plan should include dates that the actions were put into place or the dates that the Company anticipates these actions will be put into place.

### **Claims**

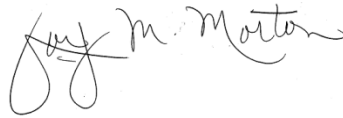
- (1-3) The Company should make the outstanding restitution shown on the enclosed Restitution spreadsheet.
- (4) The Company has not provided what actions it will take to avoid the noncompliant actions from happening in the future. The Company must develop a specific CAP. This plan should include dates that the actions were put into place or the dates that the Company anticipates these actions will be put into place.
- (5) Based upon the Company's response to the UMPD deductible violations when the uninsured motorist was identified, the Company must conduct an internal audit of all UMPD claims with a date of loss between January 1, 2018 and October 31, 2019. The Company should confirm that the UMPD deductible was waived when the uninsured motorist was identifiable.



We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet, and any review sheets withdrawn, added, or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by December 1, 2019.

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

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being particularly prominent.

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

JMM/pgh  
Enclosures



December 9, 2019

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

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC#10196  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Morton:

Attached is our response to the Bureau's November 15, 2019 letter.

Our response follows the same format and numbering for each section in the response. We have processed restitution for terminations and claims, except where additional documentation was requested or the initial response was not addressed. The restitution form is attached.

Thank you and your team for your continued cooperation and assistance. We appreciate the opportunity to provide additional documentation in support of our position. We look forward to resolving the remaining issues in the Exam.

Sincerely,

  
Peter Cammarrata 12/9/19  
President and CEO

Enclosures

NORTHERN NECK INSURANCE COMPANY

4981 Irvington Road, Post Office Box 419, Irvington, Virginia 22480 | 804.438.6611 | Fax 804.438.5838 | www.nnins.com

## **Second Response to the Preliminary Report**

### **Scope of the Examination**

The period of examination was originally designated as April 1, 2018 to March 31, 2019. In a letter dated February 15, 2019 to Peter Cammarata, CEO of Northern Neck Insurance Company from Joy Morton, the Bureau of Insurance advised that the "audit period has been changed from April 1, 2018 – March 31, 2019 to January 1, 2018 – December 31, 2018." The report should reflect these correct dates noted on the cover of the report as well as in the body of the report.

## **PART ONE – THE EXAMINERS' OBSERVATIONS**

### **Automobile Nonpayment of premium**

- (1) We acknowledge the bureau's determination.

### **Homeowner Nonpayment of Premium**

- (1) We acknowledge the bureau's determination.

### **Automobile Claims**

10. The violations for CPA011 and CPA078 remain in the Report. For reconsideration, please provide evidence that the payment was made by Medicare or Medicaid.
  - CPA011 – The medical bills at issue were from Mid-Atlantic Spine Rehab and Chiropractic located in Baltimore MD, the claimants are MD residents. We have attached the "Irrevocable Assignment, Lien and Authorization, and Financial Agreement" signed by Chemise Duncan and Diamond Harris. A review of the file confirmed we had the AOB for Chemise and we contacted the provider and obtained it for Diamond. Please consider removal of the underpayment in the amount of \$4,132.00.
  - CPA078 – The medical bills at issue were from Carillion Clinic. We were unable to retrieve the Medicaid EOB but the provider sent us the assignment of benefits which is attached. Please consider removal of the underpayment in the amount of \$2739.50.

### **Homeowner Claims**

Your #10 response in your letter dated 11/15/19 does not match #10 below which was our rebuttal to the initial report. CH0042 is not addressed in your response and it is still on the restitution sheet. Will you please confirm your position?

Below is your 11/15/19 response which does not address CH0042:

### Homeowner Claims

- (7) The violations of CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, CHO089, CHO099, and CHO101 remain in the Report. Debris removal is not subject to depreciation because it is not paying for the value of destroyed or damaged property – it is paying reasonable expenses of removal – please read the debris removal clause in policy.
- (10) The violations of CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, and CHO099 remain in the Report. These violations were not restitution bearing violations. These violations were all due to the Company’s misleading language on the replacement cost provisions. The premium bearing violations on these claims have been addressed in Section 7 above.

**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. The company unreasonable delayed the settlement of a claim.**

**RESPONSE** CHO042/ClaimPropHO – 193297135 – the examiner refused to withdraw this violation as the notes in the file stated we needed a recorded statement from our insured. That is the normal process. The insured would not respond to our contact attempts. We were able to speak to the police officer and paid the claim. We are required to confirm the loss facts. We ask the BOI to withdraw this violation as there was not an unreasonable delay on the part of the company. The insured completed the inventory sheet on 7/19/18 but never had a conversation with the adjuster. We made reasonable follow up and finally reached the police officer. The police officer confirmation on 10/27/18 enabled us to resolve the claim. The underpayment is noted at \$2,223.10. We are requesting withdrawal of this violation.

## PART TWO – CORRECTIVE ACTION PLAN

### Termination

We have corrected the errors that caused the overcharges and have sent refunds to the insureds.

- (1) We have included 6% simple interest of the amount refunded in the refund.
- (2) We have submitted the file “Northern Neck Restitution Spreadsheet 111319”.
- (3) We have reviewed our premium refund procedures and systems and we will calculate return premium according the rules and policy provisions and continue to monitor this process for compliance.

- (4) We have instituted a process to assure that we will provide the insured with an AUD notice.
- (5) We have determined the cause for not having a valid proof of mailing. The cause was an improperly sized envelope window. We had already resolved this issue in 2019 and we are obtaining valid proof of mailing of the cancellation notice to the insured.
- (6) We have reviewed proper cancellations procedures with staff and we will cancel private passenger auto policy when the notice is mailed after the 59<sup>th</sup> day of coverage only for those reasons permitted by s/s 38.2.121 D of the Code of Virginia. We will monitor such compliance through file audits.
- (7) We assume this statement refers to Private Passenger Automobile cancellations. We will mail the cancellation notice to the insured at least 45 days prior to the effective date of the cancellation. We will monitor such compliance through file audits.
- (8) We have reviewed proper documentation of cancellation requests and are obtaining a written request when the insured requests cancellation of the policy. We will monitor such compliance through file audits.
- (9) See response to number 6 above. This is the same issue stated another way.

### **Claims**

Northern Neck Insurance Company shall:

1. We have corrected all the errors requiring restitution which included 6% simple interest except for CPA011, CPA078 and CHO042 – we await the bureau's final decision as outlined above. Refunds were issued to our Members.
2. Six percent (6%) simple interest was included.
3. We have attached the restitution report outlining the claim payments with interest.

### **Corrective Action Plan**

1. The auto claims specialist must submit all UMPD claims for payment approval from their immediate supervisor to confirm we have explained all coverages, applied the first available coverage, waived or applied the UMPD deductible appropriately. Effective 11/16/19 and ongoing.
2. The company changed/updated the HO replacement cost letter during the initial MCE, while the examiners were on site, to clarify the insured's contractual ability to make a replacement cost claim, confirm supplements require approval and the time period that matches the endorsement and/or policy language – 05/06/19.
3. The company added the \$2.00 charge for all total loss vehicles. Again, we confirmed this requirement with our auto handling adjusters during the MCE audit/examiners on sit - 05/06/19. We will audit for the correct fees during the QA reviews conducted on a quarterly basis.
4. The property team was directed to stop depreciating items that are not considered real property on 05/06/19, i.e. debris, labor, etc. We will audit for this during the quarterly QA reviews.

5. The claims supervisors will audit for proper coverage explanations – UMPD, UMPD rental, ALE, PP Replacement cost and additional coverages. We have reviewed the common mistakes documents provided by the BOI. Each specialist has a copy, this document was reviewed multiple times in 2018 and again on 05/06/19.
6. The claims staff submit all denials to their supervisors for review and approval. We will audit that the file contains the written documentation during quarterly reviews. This was our existing practice and will continue.
7. The claims team was advised on 05/06/19 not to include “full and final” on settlement checks unless we have confirmed that there are no outstanding supplements or a possibility of a supplement.
8. The claims departments has reasonable standards for prompt investigation of claims: same day initial contact, continued follow up – three days by phone, if no response – we will send a contact letter to all involved parties. The department is aware they must advise involved parties, every 45 days, of the reason a liability decision is outstanding. We have reviewed the Unfair Claims Practices Act and provided each adjuster with a copy. The supervisors will audit for timely investigations quarterly and diary reviews - ongoing.
9. Medical Payments Claims – we will not issue settlement to providers without an assignment of benefits that meets the regulatory requirements. We reconfirmed this position on 5/6/19 and will continue to audit for this issue during diary reviews and quarterly audits.
10. File documentation requirements reviewed on 05/06/19 and we will continue to audit for proper file documentation - initial and follow up contact, coverage explanations, liability investigations, file events and settlement.
11. The claims team, on 05/06/19, was reminded of our duty to provide estimates, with a cover letter, on auto and property losses. We will continue to audit for this requirement during supervisor diary reviews and quarterly audits.

# 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](http://www.scc.virginia.gov/boi)

January 29, 2020

## VIA E-MAIL DELIVERY

Peter Cammarata  
President & CEO  
Northern Neck Insurance Company  
4981 Irvington Road  
Irvington, VA 22480

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC #10196  
Examination Period: January 1, 2018 – December 31, 2018

Dear Mr. Cammarata:

The Bureau of Insurance (Bureau) has reviewed the December 9, 2019 response to the Revised Market Conduct Report (Report) of the Northern Neck Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Automobile Claims

(10) After further review, the violation of CPA011 has been withdrawn. The Company provided evidence that the injured guest passenger lived in and was treated in another state.

The violation of CPA078 remains in the Report. The Assignment of Benefits (AOB) document provided in response to the Report is not a valid AOB. The Company should make the outstanding restitution to the insured.

### Homeowner Claims

(7) The violations of CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, CHO089, CHO099, and CHO101 remain in the Report. Debris removal is not subject to depreciation because it is not paying for the value of destroyed or damaged property – it is paying reasonable expenses of removal – please read the debris removal clause in policy.

- (10) The violation of CHO042 stays in the Report. The Company has not provided anything additional that would cause the Bureau to reconsider its initial findings. The inventory list included a Mac Book and accessories, and the Company never paid the insured for these items. The Company should make restitution in the amount of \$2,223.10 to the insured.

## PART TWO – CORRECTIVE ACTION PLAN

### General

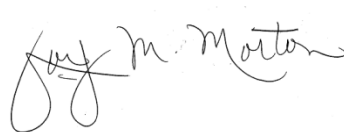
The Company should make the outstanding restitution.

The Corrective Action Plan should be amended to include dates that the corrective measures were implemented or will be implemented.

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. The Company's response to this letter is due in the Bureau's office by February 21, 2020.

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 February 21, 2020.

Sincerely,



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

JMM/pgh  
Attachments





January 31, 2020

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

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC #10196  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Morton:

We have reviewed your letter dated January 29, 2020 and accept the Bureau's response to our previous letter.

#### **PART ONE – EXAMINERS' OBSERVATIONS**

##### **Automobile Claims**

- (10) CPA011 has been withdrawn.  
We issued restitution to our Member - CPA078 in the amount of \$2,904.18.

##### **Homeowner Claims**

- (7) We acknowledge and agree with the clarification on CHO006, CHO027, CHO032, CHO040, CHO062, CHO071, CHO089, CHO099, and CHO10. The property discontinued depreciating labor or debris removal on 05/16/19.
- (10) We issued restitution to our Member - CHO042 in the amount of \$2,356.49.

#### **NORTHERN NECK INSURANCE COMPANY**

4981 Irvington Road, Post Office Box 419, Irvington, Virginia 22480 | 804.438.6611 | Fax 804.438.5838 | [www.nmins.com](http://www.nmins.com)

## PART TWO – CORRECTIVE ACTION PLAN

### General

The Company has completed the outstanding restitution.

The Corrective Action Plan is updated to include dates that the corrective measures were implemented or will be implemented.

### Termination

We have corrected the errors that caused the overcharges and have sent refunds to the insureds.

1. We have included 6% simple interest of the amount refunded in the refund.
2. We have submitted the file “Northern Neck Restitution Spreadsheet 01 31 2020”.
3. We have reviewed our premium refund procedures and systems and we will calculate return premium according the rules and policy provisions and continue to monitor this process for compliance.
4. We have instituted a process to assure that we will provide the insured with an AUD notice. This process started on 6-1-19.
5. We have determined the cause for not having a valid proof of mailing. The cause was an improperly sized envelope window. We had already resolved this issue in 2019 and we are obtaining valid proof of mailing of the cancellation notice to the insured.
6. We have reviewed proper cancellations procedures with staff and we will cancel private passenger auto policy when the notice is mailed after the 59<sup>th</sup> day of coverage only for those reasons permitted by s/s 38.2.121 D of the Code of Virginia. We will monitor such compliance through file audits beginning 8-1-19.
7. We assume this statement refers to Private Passenger Automobile cancellations. We will mail the cancellation notice to the insured at least 45 days prior to the effective date of the cancellation. We will monitor such compliance through file audits beginning 8-1-19.
8. We have reviewed proper documentation of cancellation requests and are obtaining a written request when the insured requests cancellation of the policy. We will monitor such compliance through file audits beginning 6-1-19.
9. See response to number 6 above. This is the same issue stated another way.

## Claims

Northern Neck Insurance Company shall:

1. We have corrected all the errors requiring restitution which included 6% simple interest.
2. Six percent (6%) simple interest was included.
3. We have attached the restitution report outlining the claim payments with interest.

## Corrective Action Plan

1. The auto claims specialist must submit all UMPD claims for payment approval from their immediate supervisor to confirm we have explained all coverages, applied the first available coverage, waived or applied the UMPD deductible appropriately. Effective 11/16/19 and ongoing.
2. The company changed/updated the HO replacement cost letter during the initial MCE, while the examiners were on site, to clarify the insured's contractual ability to make a replacement cost claim, confirm supplements require approval and the time period that matches the endorsement and/or policy language – 05/06/19.
3. The company added the \$2.00 charge for all total loss vehicles. Again, we confirmed this requirement with our auto handling adjusters during the MCE audit/examiners on sit - 05/06/19. We will audit for the correct fees during the QA reviews conducted on a quarterly basis.
4. The property team was directed to stop depreciating items that are not considered real property on 05/06/19, i.e. debris, labor, etc. We will audit for this during the quarterly QA reviews.
5. The claims supervisors will audit for proper coverage explanations – UMPD, UMPD rental, ALE, PP Replacement cost and additional coverages. We have reviewed the common mistakes documents provided by the BOI. Each specialist has a copy, this document was reviewed multiple times in 2018 and again on 05/06/19.
6. The claims staff submit all denials to their supervisors for review and approval. We will audit that the file contains the written documentation during quarterly reviews. This was our existing practice and will continue effective 05/06/19.
7. The claims team was advised on 05/06/19 not to include “full and final” on settlement checks unless we have confirmed that there are no outstanding supplements or a possibility of a supplement.

8. The claims department has reasonable standards for prompt investigation of claims: same day initial contact, continued follow up – three days by phone, if no response – we will send a contact letter to all involved parties. The department is aware they must advise involved parties, every 45 days, of the reason a liability decision is outstanding. We have reviewed the Unfair Claims Practices Act and provided each adjuster with a copy. The supervisors will audit for timely investigations quarterly and diary reviews - effective 05/06/19 and ongoing.
9. Medical Payments Claims – we will not issue settlement to providers without an assignment of benefits that meets the regulatory requirements. We reconfirmed this position on 5/6/19 and will continue to audit for this issue during diary reviews and quarterly audits.
10. File documentation requirements reviewed on 05/06/19 and we will continue to audit for proper file documentation - initial and follow up contact, coverage explanations, liability investigations, file events and settlement.
11. The claims team, on 05/06/19, was reminded of our duty to provide estimates, with a cover letter, on auto and property losses. We will continue to audit for this requirement during supervisor diary reviews and quarterly audits.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Cammarata", with a stylized flourish extending to the right.

Peter Cammarata  
President and CEO

Enclosure

# COMMONWEALTH OF VIRGINIA



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

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

February 5, 2020

## VIA E-MAIL DELIVERY

Peter Cammarata  
President & CEO  
Northern Neck Insurance Company  
4981 Irvington Road  
Irvington, VA 22480

RE: Market Conduct Examination  
Northern Neck Insurance Company, NAIC #10196  
Examination Period: April 1, 2018 – March 31, 2019

Dear Mr. Cammarata:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of January 31, 2020. 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 (Report) of Northern Neck Insurance Company.

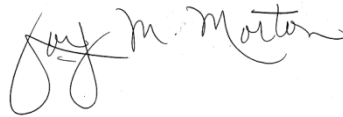
Based on the Bureau's review of the Report and the company's responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-502 1, 38.2-510 A 1, 38.2-610 A, 38.2-2208 A, 38.2-2212 D, 38.2-2212 E, 38.2-2212 F, 38.2-2513 A, and 38.2-2514 of the Code of Virginia, as well as, 14 VAC 5-400-40 A, 14 VAC 5-400-40 E, 14 VAC 5-400-70 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 "Joy M. Morton". The signature is written in a cursive style with a large, stylized initial "J".

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

JMM/pgh  
Attachment

STATE CORP COMMISSION  
BUREAU OF INSURANCE

20 MAR -9 AM 9:22



**northern neck**  
VIRGINIA INSURANCE

February 28, 2020

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-2020-00030

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated February 27, 2020, 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 38.2-502 1, 38.2-510 A 1, 38.2-610 A, 38.2-2208 A, 38.2-2212 D, 38.2-2212 E, 38.2-2212 F, 38.2-2513 A, and 38.2-2514 of the Code of Virginia, as well as, 14 VAC 5-400-40 A, 14 5-400-40 E, 14 VAC 5-400-70 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$34,500.
2. We agree to comply with the corrective action plan set forth in the company's letters of October 15 and December 9, 2019 and January 31 , 2020.
3. We confirm that restitution was made to 25 consumers for \$12,017.75 in accordance with the company's letters of October 15 and December 9, 2019 and January 31 , 2020.
4. Wefurther 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.

NORTHERN NECK INSURANCE COMPANY


4981 Irvington Road, Post Office Box 419, Irvington, Virginia 22480 1 804.438.6611 Fax 804.438.5838 | www.nnins.com

Rebecca Nichols February 28, 2020 Page 2

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,

Northern Neck Insurance Company, NAIC #10196

  
\_\_\_\_\_  
Peter J. Cammarata (Signed)  
\_\_\_\_\_  
(Type or Print Name)  
PRES. & CEO  
\_\_\_\_\_  
(Title)  
3/4/2020  
\_\_\_\_\_  
(Date)



# 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](http://www.scc.virginia.gov/boi)**

Northern Neck Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$34,500 by its check numbered 0000218494 and dated March 4, 2020, a copy of which is located in the Bureau's files.

## STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 9, 2020

*Document Control Center 04/09/20@9.52 AM*COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2020-00030

NORTHERN NECK INSURANCE COMPANY,  
DefendantSETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Northern Neck Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-502 1 of the Code of Virginia ("Code") by failing to properly represent 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; § 38.2-610 A of the Code by failing to provide written notice of an adverse underwriting decision in a form approved by the Commission; §§ 38.2-2208 A, 38.2-2212 D, 38.2-2212 E, and 38.2-2212 F of the Code by failing to properly terminate insurance policies; § 38.2-2513 A of the Code by failing to accurately handle property terminations; § 38.2-2514 of the Code by failing to show termination notices were deposited with the United States Postal Service and mailed to the insured; as well as 14 VAC 5-400-40 A, 14 VAC 5-400-40 E, 14 VAC 5-400-70 A, and 14 VAC 5-400-70 D 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 properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219 and 38.2-1040 of the Code of Virginia ("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 wherein the Defendant has agreed to comply with the corrective action plan outlined in company correspondence dated October 15, 2019, December 9, 2019, and January 31, 2020; has confirmed that restitution was made to 25 consumers in the amount of Twelve Thousand Seventeen Dollars and Seventy-five Cents (\$12,017.75); has tendered to the Treasurer of Virginia the sum of Thirty-four Thousand Five Hundred Dollars (\$34,500); and has waived the right to a hearing.

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

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

Accordingly, IT IS ORDERED THAT:

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

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

A COPY hereof shall be sent electronically by the Clerk of the Commission:

Peter Cammarata, President and Chief Operating Officer, Northern Neck Insurance Company, 4981 Irvington Road, Irvington, Virginia 22480; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.