

MARKET CONDUCT EXAMINATION REPORT

OF

LANCER INSURANCE COMPANY

AS OF

March 31, 2013

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
Property and Casualty Division
Market Conduct Section

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA



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

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

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, William T. Felvey, Senior Insurance Market Analyst, of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Lancer Insurance Company as of March 31, 2013, conducted at the office of the State Corporation Commission in Richmond, Virginia, is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No. INS-2014-00250 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of this the Bureau
at the City of Richmond, Virginia,
this 21st day of January, 2015.

A handwritten signature in black ink, appearing to read 'William T. Felvey', written over a horizontal line.

William T. Felvey

Examiner in Charge

MARKET CONDUCT EXAMINATION REPORT

OF

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COMMONWEALTH OF VIRGINIA
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BUREAU OF INSURANCE

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a target desk examination has been made of the commercial automobile line of business written by Lancer Insurance Company at the State Corporation Commission Bureau of Insurance office in Richmond, Virginia.

The examination commenced on September 30, 2013 and concluded on June 23, 2014. James Heretick, Rick Wright and William Felvey of the Bureau of Insurance (Bureau), participated in the work of the examination. The examination was called in the Examination Tracking System on February 20, 2013 and was assigned the examination number of VA097-M9. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILE*

Lancer Insurance Company was incorporated under the laws of Illinois in April 1945 under the name Underwriters Insurance Company. On March 28, 1985, Lancer Financial Group, Inc., purchased Underwriters Insurance Company from Employers Insurance of Wausau. Lancer Insurance Company provides specialized commercial automobile coverages to the U.S. transportation industry. Business written includes buses, limousines, vanpools, long and short-haul trucks, and car rental agencies. The Company is based in Long Beach, New York.

* Source: Best's Insurance Reports, Property & Casualty, 2013 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 the date that the company was licensed in Virginia except as noted in the table.

GROUP CODE: 0456	LIC
NAIC Company Number	26077
LICENSED IN VIRGINIA	5/01/1947
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	x
Aircraft Physical Damage	x
Animal	
Automobile Liability	10/04/1983
Automobile Physical Damage	10/04/1983
Boiler and Machinery	x
Burglary and Theft	x
Commercial Multi-Peril	x
Credit	10/04/1983
Farmowners Multi-Peril	x
Fidelity	10/04/1983
Fire	x
General Liability	x
Glass	x
Homeowners Multi-Peril	x
Inland Marine	x
Miscellaneous Property	x
Ocean Marine	x
Surety	10/04/1983
Water Damage	x
Workers' Compensation	x

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

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Lancer Insurance Company	\$4,221,571	.0076%

* Source: The 2013 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's commercial automobile line of business written in Virginia for the period beginning April 1, 2012 and ending March 31, 2013. This review included policy terminations, forms, and statutory notices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

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

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

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.

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

Commercial Automobile Policies

The Bureau requested 33 commercial automobile cancellations. During this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of 14 VAC 5-390-40 D. The company failed to include on the affirmation of cancellation sent to the insured the effective date of the policy, the producer's name, the reason for cancellation, and/or the total policy premium.

REVIEW OF FORMS

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

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

Commercial Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The examiners found 21 violations of § 38.2-2223 of the Code of Virginia. The

company used a version of a form filed as a broadening that was not in the precise language as the form approved by the Bureau.

REVIEW OF STATUTORY NOTICES

To obtain copies of the statutory notices used during the examination period for the line of business listed below the Bureau requested copies from the company. The examiners verified that the notices used by the company on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

The examiners found two violations of § 38.2-305 B of the Code of Virginia. The company's Important Information Regarding Your Insurance notice did not contain all of the information required by this statute.

Statutory Vehicle Notices

The examiners found no violations in this area.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. In instances, such as filing requirements, forms and notices 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

Lancer Insurance Company shall:

Provide a corrective action plan (CAP) with its response to the Report.

Termination Review

Lancer Insurance Company shall:

Include complete information in the affirmation of cancellation sent to the insured.

Forms Review

Lancer Insurance Company shall:

Use the precise language of the forms filed with the Bureau.

Review of Statutory Notices

Lancer Insurance Company shall:

Amend the Important Information Regarding Your Insurance notice to include all of the information required by § 38.2-305 B of the Code of Virginia.

ACKNOWLEDGEMENT

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

Sincerely,



William T. Felvey, CPCU, AIE, ARC, ARe
Senior Insurance Market Analyst

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
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August 1, 2014

VIA UPS 2nd DAY DELIVERY

John A. Petrilli
Senior VP & General Counsel
Lancer Insurance Company
370 West Park Avenue
Long Beach, NY 11561-9004

RE: Market Conduct Examination
Lancer Insurance Company, (NAIC #26077)

Dear Mr. Petrilli:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2012, through March 31, 2013. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since August 4, 2014. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the report.

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

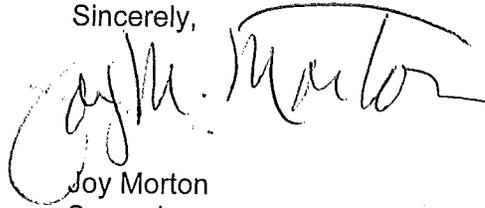
Secondly, the company should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

The company's response must be returned to the Bureau by September 8, 2014.

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 September 8, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Morton". The signature is written in a cursive style with a large, sweeping initial "J".

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

LANCER
INSURANCE
The Difference is Our Attitude.

September 18, 2014

VIA EMAIL

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Attention: Joy Morton, Supervisor
Market Conduct Section
Property & Casualty Division

Re: Market Conduct Examination
Lancer Insurance Company
NAIC No.: 26077

Dear Ms. Morton:

Please allow this to serve as the response of Lancer Insurance Company ("Lancer") to your correspondence dated August 1, 2014 and the preliminary market conduct examination report for the examination period beginning April 1, 2012 and ending March 31, 2013. Per your request, we have used the same headings and numbering as found in your preliminary report in order for you to track our responses in an efficient and organized manner.

TERMINATION REVIEW

- (1) We disagree that the reason set forth on this cancellation notice is in violation of 38.2-231 of the Code of Virginia. The statute requires that the specific reason for cancellation be included on the notice. In this instance Lancer cancelled the policy as a result of growth as a first year venture. The insured clearly understood the reason for cancellation as the policy was issued to a new venture operating one unit. The application executed by the insured states that an increase in the number of vehicles "will be unacceptable per Lancer's underwriting guidelines and coverage will be reviewed for cancellation." Despite this admonition, the insured increased the fleet size of the new venture. The reason for cancellation was clear and there was no ambiguity in such notice. The Bureau's suggested wording does not provide any greater clarity than the wording used by Lancer on this notice. We respectfully disagree that such notice is in violation of 38.2-231.

LANCER INSURANCE COMPANY

370 WEST PARK AVENUE, PO BOX 9004, LONG BEACH, NY 11561-9004 • TEL. (516) 431-4441 • FAX (516) 889-5111 • www.lancerinsurance.com

- (2) The Bureau has concluded that Lancer violated 14 VAC 5-390-40D because the Notice of Cancellation forwarded to the insured as a result of nonpayment to the premium finance company did not contain the effective date of the policy, the producer's name, the reason for cancellation and the total policy premium. We wish to point out that the form did contain the producer's name and the reason for cancellation. Lancer does not dispute that the effective date of the policy and the total policy premium was not included on the form. We are now using a new vendor for our cancellation forms. The new forms, when processed, list the effective date of the policy, the producer's name, the total policy premium and the reason for cancellation.

REVIEW OF FORMS

- (1) Attached for your review are copies of R-LIC-1115, R-LIC-1116 and R-LIC-1119. As previously noted, these forms were not provided to the Bureau of Insurance at the commencement of this examination because the forms are not used on Virginia policies. Per my recent discussion with William Felvey of your office, we misunderstood the Bureau's response that "the examiner needs to verify that the copy on "file" matches the copy provided by the Company" and we did not forward the three forms for the Bureau's review following that response. This was not an intentional failure to provide access to our files, rather a misunderstanding that the three forms should have been forwarded for review at that time. As previously advised these forms are not used on Virginia policies. We trust this clarifies any confusion with respect to these forms.
- (2) The Bureau has concluded that the following forms were used by Lancer but were not approved by the Bureau. In accordance with your instructions, we have listed the forms with Lancer's response in the order as they appear on page 2 of the Violation Summary provided by the Bureau.

GU-207:

The Bureau indicated that this form would have been approved if the form had been filed as it does not alter the terms and conditions of the policy when used to identify additional insureds. Consistent with the Bureau's response, Lancer is drafting a new form, LIC AUTO AI, which will be used simply to list additional insureds. The Bureau has previously advised that forms that do not alter the terms and conditions of the policy do not need to be filed with the Bureau. As this new form does not alter the terms or conditions of the policy, Lancer will not file the form for the approval; however, Lancer will provide a copy of this form for your review should the Bureau require it for purposes of this examination.

LIC 21:

This form has been deleted from our VA forms list. It is no longer available for use in Virginia. The ISO Deductible Liability Coverage Form will be used in place of LIC-21.

LIC-A1-PRIM-1:

This form has been revised and has been forwarded to the Bureau for filing and approval.

LIC-AM-EXCL:

This form has been forwarded to the Bureau for filing and approval.

LIC-ASB-EXCL:

This form has been deleted from our VA forms list. It is no longer available for use in Virginia.

LIC-CA-PUN-DAM-EXCL:

This form has been deleted from our VA forms list. It is no longer available for use in Virginia.

LIC-CRA01:

This form has been forwarded to the Bureau for filing and approval.

LIC-EXTEND-CANCEL:

This form has been deleted from our VA forms list. The examination made clear that the form was drafted to assist policyholders with contractual requirements but is no longer necessary; therefore, it is no longer available for use in Virginia.

LIC-MINIMUM PREM:

This form has been forwarded to the Bureau for filing and approval.

LIC-PHY-LTD-1:

This form has been deleted from our VA forms list. It is no longer available for use in Virginia.

LIC-PHYSDAM-LIMO:

This form has been deleted from our forms list. The examination made it clear that the form is not necessary on Auto policies; therefore, the form has been deleted from our forms list and is no longer available for use in Virginia.

LIC-POLL-EX-1:

This form has been deleted from our VA forms list. It is no longer available for use in Virginia.

LIC-RENT-EXCL-2:

This form has been deleted from our forms list and is no longer available for use in Virginia. We are in the process of re-drafting a form which will be forwarded to the Bureau for filing and approval.

LIC-RENT-LEASE:

This form has been deleted from our forms list and is no longer available for use in Virginia. We are in the process of re-drafting a form which will be forwarded to the Bureau for filing and approval.

VP-AMEND-1:

The form has been revised and has been forwarded to the Bureau for filing and approval.

EXCESS FORMS:

The following forms are used on excess policies issued by Lancer: LIC-EX-FF-86, LIC-XS-1, LIC-XS-2, LIC-XS-3, LIC-XS-AM-EXCL, and LIC-XS-LIM-1. Our records indicate that there were only 6 excess policies in effect during the examination period and there are currently only 9 in effect in Virginia. We are reviewing and revisiting the forms used on our excess policies and will file the entire packet of forms upon completion of our review.

CORRECTIVE ACTION PLAN

Termination Review

The Bureau has concluded that Lancer failed to state a specific reason in one Notice of Cancellation reviewed during the Termination Review portion of this examination. As previously advised, Lancer strongly disagrees that the Notice of Cancellation in question is in violation of 38.2-231 of the Code of Virginia. As a result of the findings of the Bureau, however, all Notices of Cancellation for reasons other than non-payment on trucking policies must now be forwarded to the Lancer Legal Department for review prior to issuance. Although all Notices of Cancellation for bus, limo, vanpool and rental are forwarded to the Legal Department, a formal process is now in place for our trucking division to forward such notices. This review will ensure that all notices issued by Lancer comply with 38.2-231 of the Code of Virginia.

The Bureau has also concluded that one Notice of Cancellation for non-payment to the finance company did not contain the information required by 14-VAC-5-390-40D. As advised, Lancer does not dispute that the Notice in question did not contain the effective date of the policy and the total policy premium. The form did include the producer's name and the reason for cancellation. As advised, Lancer has replaced the vendor for such notices. Following receipt of the preliminary audit report we have reviewed the notice of our new vendor and confirmed that such notice contains the effective date of the policy, the total policy premium, the producer's name and the reason for cancellation and therefore meets the requirements of 14-VAC-5-390-40D. In addition, we have performed a sample audit of Virginia policies cancelled for non-payment to the finance company and confirmed that the Notices contain the required information.

Forms Review

As previously noted, Lancer did not intentionally fail to provide records relative to the examination. Copies of R-LIC-1115, R-LIC-1116 and R-LIC-1119 were not provided at the outset of the examination because they are not used in Virginia. We have enclosed copies of all three forms for your review and will follow with the Bureau to withdraw these forms to avoid any confusion in the future and to maintain a correct listing of forms used in Virginia.

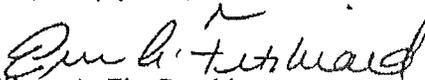
The Bureau found 21 violations of 38.2-2223. Following receipt of the preliminary report we reviewed each form listed on pages 2 and 3 of the Violation Summary. In the Review of Forms Section of our response we have provided an explanation as to the action taken by Lancer with respect to each form. While some forms have been removed from the forms list and are no longer available for use in Virginia, some forms are in the process of being re-drafted and will be forwarded to the Bureau for filing and approval. Some forms have been forwarded to the Bureau for filing and approval. The Lancer Tracking Number for those forms that have already been filed is CA-FM-09-14VA and the SERFF Tracking Number is LNCR-129728058. We have also taken an in-depth review of all excess forms. Such forms will be forwarded to the Bureau for filing and approval.

Statutory Notices Review

The Bureau found that Lancer's "Important Information Regarding Your Insurance" notice did not contain all of the information required by 38.2-305B of the Code of Virginia. Immediately following notice of this discrepancy, we revised the Notice to include the appropriate statutory language and contact information. This revised notice has been used on Virginia policies issued after October, 2013. A copy of the Notice was provided during the examination.

We trust that this response addresses all of the issues identified during the examination. If you have any questions with respect to these responses or require additional documentation in order to complete your examination, please contact the undersigned.

Very truly yours,



Eileen A. FitzGerald
Assistant Vice President
Associate General Counsel

Enc.

cc: William Felvey
CPCU, AIE, ARC, ARe
Senior Insurance Market Analyst

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
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<http://www.scc.virginia.gov/division/boi>

October 29, 2014

VIA UPS 2nd DAY DELIVERY

John A. Petrilli
Senior VP & General Counsel
Lancer Insurance Company
370 West Park Avenue
Long Beach, NY 11561-9004

RE: Market Conduct Examination
Lancer Insurance Company, (NAIC #26077)

Dear Mr. Petrilli:

The Bureau of Insurance (Bureau) has reviewed the September 18, 2014 response to the Preliminary Market Conduct Report (Report) of Lancer 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 – THE EXAMINERS' OBSERVATIONS

Terminations Review

Commerical Automobile Policies

The violation for TCA010 has been withdrawn; the Report has been renumbered to reflect this change.

Forms Review

Commercial Automobile Policy Forms

The violations for FCA147, FCA148, and FCA149 have been withdrawn. The Report has been renumbered to reflect this change.

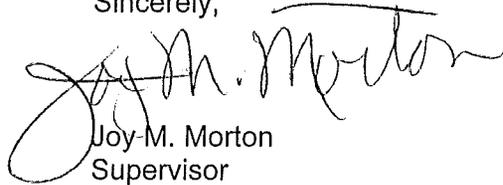
PART TWO – CORRECTIVE ACTION PLAN

Forms Review

Please advise when the following form(s) will be re-drafted and submitted to the Bureau for approval: LIC-RENT-EXCL-2, LIC-RENT-LEASE, LIC-EX-FF-86, LIC-XS-1, LIC-XS-2, LIC-XS-3, LIC-XS-AM-EXCL, and LIC-XS-LIM-1.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, and any review sheets withdrawn, as a result of this review. The Company's response to this letter is due in the Bureau's office by November 15, 2014.

Sincerely,



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

Enclosures

LANCER
INSURANCE
The Difference is Our Attitude.

November 13, 2014

VIA EMAIL

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Attention: Joy Morton, Supervisor
Market Conduct Section
Property & Casualty Division

Re: Market Conduct Examination
Lancer Insurance Company
NAIC No.: 26077

Dear Ms. Morton:

Please allow this to serve as the response of Lancer Insurance Company ("Lancer") to your correspondence dated October 29, 2014. You have requested that we advise when the following forms will be re-drafted and submitted to the Bureau for approval: LIC-RENT-EXCL-2, LIC-RENT-LEASE, LIC-EX-AFF-86, LIC-XS-1, LIC-XS-1, LIC-XS-2, LIC-XS-3, LIC-XS-AM-EXCL and LIC-XS-LIM-1. Please note that we have redrafted LIC-RENT-EXCL-2 and LIC-RENT-LEASE. Those two forms are currently being finalized and will be forwarded to the Bureau for filing and approval on or before December 5, 2014.

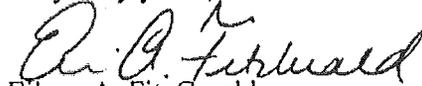
We have undertaken a complete review of all of our excess forms. This review is ongoing as we recently contacted ISO and are currently reviewing ISO excess forms to determine if we will use ISO excess for all of our excess policies, not only those excess policies in Virginia. We will advise the Bureau of our decision with respect to these excess forms on or before December 5, 2014.

LANCER INSURANCE COMPANY

370 WEST PARK AVENUE, P.O. BOX 9004, LONG BEACH, NY 11561-9004 • TEL (516) 431-4441 • FAX (516) 889-5111 • www.lancerinsurance.com

We trust this is responsive to your correspondence. If you have any questions regarding our responses, please do not hesitate to contact me at your convenience.

Very truly yours,



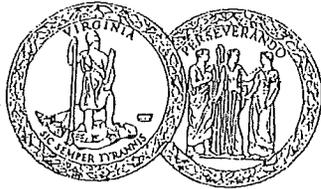
Eileen A. FitzGerald
Assistant Vice President
Associate General Counsel

Enc.

cc: William Felvey
CPCU, AIE, ARC, ARe
Senior Insurance Market Analyst

COMMONWEALTH OF VIRGINIA

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November 21, 2014

John A. Petrilli
Senior VP & General Counsel
Lancer Insurance Company
370 West Park Avenue
Long Beach, NY 11561-9004

RE: Market Conduct Examination
Lancer Insurance Company, (NAIC #26077)

Dear Mr. Petrilli:

All outstanding issues related to the market conduct examination have been resolved. The Bureau of Insurance (Bureau) is now in a position to settle the examination.

A review of the Market Conduct Examination Report of Lancer Insurance Company indicates that the company violated the following insurance laws and regulations: §§ 38.2-305 B and 38.2-2223 of the Code of Virginia as well as 14 VAC 5-390-40 D of the Virginia Administrative Code.

Violations of the laws and regulations mentioned above may result in monetary penalties of up to \$1,000 for each violation as well as suspension or revocation of an insurer's license to engage in the business of insurance in Virginia. Any violation that is knowingly and willfully committed is subject to a penalty of \$5,000 per violation.

In view of the above violations, the Bureau is willing to recommend a favorable disposition of this matter to the State Corporation Commission, subject to the following conditions:

1. The company submits a check made payable to the Treasurer of Virginia in the amount of \$21,300.00.
2. The company submits a written statement that it agrees to comply with the corrective action plan set forth in its September 18, 2014 and November 13, 2014 letters.
3. The company submits a written statement that it understands that it is entitled to a hearing on this matter and that it waives its right to a hearing by making an offer of settlement.

In the event that the company is agreeable to the settlement offer set forth above, the Bureau is enclosing a settlement letter outlining the proposed settlement. An authorized

representative of the company must sign, date, and return, on the company's letterhead, the letter accompanied by the payment to the Bureau by December 8, 2014.

If the Bureau does not receive a settlement offer or a request for an informal discussion, the Bureau will move the State Corporation Commission to institute proceedings against the company to show cause why it should not be penalized the maximum penalties permitted for the violations listed above.

Sincerely,

A handwritten signature in cursive script that reads "Mary M Bannister".

Mary M. Bannister
Deputy Commissioner
Property and Casualty Division

MMB
Enclosure

LANCER
INSURANCE
The Difference is Our Attitude.

December 5, 2014

VIA OVERNIGHT MAIL

Commonwealth of Virginia
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Attention: Mary Bannister
Deputy Commissioner
Property & Casualty Division

Re: Market Conduct Examination Settlement Offer
Lancer Insurance Company (NAIC No.: 26077)

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter dated November 21, 2014, concerning the above referenced matter.

We wish to make a settlement offer on behalf of Lancer Insurance Company for the alleged violations of §§ 38.2-305 B and 38.2-2223 of the Code of Virginia and 14 VAC 5-390-40 D of the Virginia Administrative Code.

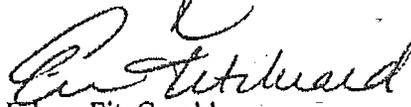
1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$21,300.00.
2. We agree to comply with the corrective action plan set forth in our letters of September 18, 2014 and November 13, 2014.
3. We further acknowledge the right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

LANCER INSURANCE COMPANY

370 WEST PARK AVENUE, P.O. BOX 9004, LONG BEACH, NY 11561-9004 • TEL. (516) 431-4441 • FAX (516) 889-5111 • www.lancerinsurance.com

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.

Very truly yours,

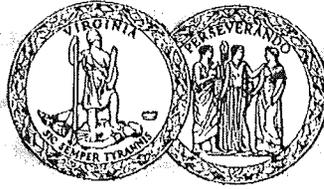


Eileen FitzGerald
Assistant Vice President
Associate General Counsel

EF/kf
Enc.

LANCER
INSURANCE
The Difference is Our Attitude.

COMMONWEALTH OF VIRGINIA



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

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

Lancer Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$21,300.00 by its check numbered 70066683 and dated December 1, 2014, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 5, 2015 . SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

COMMONWEALTH OF VIRGINIA, *ex rel.*

2015 JAN -5 A 10: 07

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2014-00250

LANCER INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Lancer Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated §§ 38.2-305 B and 38.2-2223 of the Code of Virginia ("Code"), as well as 14 VAC 5-390-40 D of the Commission's Rules Governing Insurance Premium Finance Companies, 14 VAC 5-390-10 *et seq.*, by failing to provide the information required by the statute in the insurance policies, by failing to file broadenings of the standard forms prior to use, and by failing to properly terminate contracts of insurance.

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

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to the Commonwealth the sum of Twenty-one Thousand Three Hundred Dollars (\$21,300), waived its right to a hearing, and agreed to

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comply with the corrective action plan set forth in its letters to the Bureau dated September 18, 2014, and November 13, 2014.

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

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

Accordingly, IT IS ORDERED THAT:

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

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

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

John A. Petrilli, Senior Vice President and General Counsel, Lancer Insurance Company, 370 West Park Avenue, Long Beach, New York 11561-9004; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.