

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**LOUDOUN MUTUAL INSURANCE COMPANY**

**AS OF**

**December 31, 2019**

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

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA



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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Andrea D. Baytop, Market Conduct Manager of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Loudoun Mutual Insurance Company as of December 31, 2019, conducted at the Bureau of Insurance's office in Richmond, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2021-00109 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 24<sup>th</sup> day of October 2021.

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Andrea D. Baytop  
Examiner in Charge

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## EXECUTIVE SUMMARY

The examination included a detailed review of Loudoun Mutual Insurance Company's homeowner line of business written in Virginia for the period beginning January 1, 2019 and ending December 31, 2019. This review pertained to policy terminations, claims handling, forms, and complaint handling.

The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis. This is the second Market Conduct Examination the Bureau of Insurance (Bureau) has performed on this company since 2002.

The examination revealed a total of 242 violations. The bulk of these violations (114) were in the claims area where there were two general business practices (GBP). Contrary to the number of claims violations, the examiners found 59 violations in terminations and 69 violations in forms. There were no violations found in the complaint handling area.

The Terminations Corrective Action Plan (CAP) requested that the company send cancellation and nonrenewal notices to the insured and provide accurate data population information to the Bureau, send a written AUD notice to insureds, require insured-requested cancellations in advance of the cancellation date in accordance with its policy provisions, properly represent the facts of the cancellation, and obtain valid proof of mailing cancellation notices.

The Claims CAP requested that the company document the claim file so that all events pertinent to the claim can be reconstructed and properly represent the replacement cost provisions of the policy.

The Forms CAP requested the company to file independent forms with the Bureau and specify non-adoption of forms filed on its behalf by a rate service organization.

Finally, the CAP requested that restitution of \$33,838.36 be made to one Virginia consumer.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination was made of the homeowner line of business written by Loudoun Mutual Insurance Company at the office of the State Corporation Commission Bureau of Insurance in Richmond, Virginia.

The examination commenced August 17, 2020 and concluded January 20, 2021. Brandon L. Ayers, NuDasha P. Fludd, Daniel R. Koch, Ju'Coby D. Hendrick, and Melody S. Morrissette, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on March 5, 2020 and was assigned the Action Number of VA-VA177-11. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

## COMPANY PROFILE\*

Loudoun Mutual Insurance Company (LMIC) is a mutual assessment insurance company licensed under Chapter 25 of Title 38.2 of the Code of Virginia. Being a Chapter 25 insurer gives the company flexibility in forms, rate filings, and cancellation provisions. The company was incorporated on March 12, 1849, under the laws of Virginia and commenced business in May 1849 under the title Mutual Fire Insurance Company of Loudoun County. The present corporate title was adopted on March 1, 1979.

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\* Source: Best's Insurance Reports, Property & Casualty, 2020 Edition.

The table below indicates when the company was licensed in Virginia and the line of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized as noted in the table.

<b>COMPANY</b>	<b>LMIC</b>
NAIC Company Number	10329
LICENSED IN VIRGINIA	3/12/1849
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	2/1/2002
Automobile Physical Damage	2/1/2002
Boiler and Machinery	
Burglary and Theft	
Commercial Multi-Peril	
Credit	
Farmowners Multi-Peril	10/18/2000
Fidelity	
Fire	1/1/1906
General Liability	2/20/1998
Glass	
Homeowner Multi-Peril	1/1/1906
Inland Marine	
Miscellaneous Property	1/1/1906
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 2019 for the line of insurance included in this examination.\* This business was developed through independent agents.

<b>LOUDOUN MUTUAL INSURANCE COMPANY</b>	<b>PREMIUM VOLUME</b>
Homeowner Multiple Peril	\$38,281,764

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\* Source: The 2019 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 homeowner line of business written in Virginia for the period beginning January 1, 2019 and ending December 31, 2019. This review included policy terminations, claims handling, forms, complaint handling and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance laws that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued in Virginia. The Other Law Violations portion of Part One notes violations of other related laws that apply to insurers.

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

In Part Three, the examiners list Recommendations regarding the company's practices that require some action by the company.

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 terminations 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	LMIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Homeowner</b>						
Company-Initiated Cancellations <sup>1</sup>	<u>377</u> 51	<u>377</u> 51	29	0	21	72%
All Other Cancellations <sup>2</sup>	<u>3834</u> 59	<u>3834</u> 59	50	0	19	38%
Nonrenew als	<u>456</u> 20	<u>456</u> 20	20	0	8	40%
Rejected Applications <sup>3</sup>	<u>51</u> 12	<u>51</u> 12	2	0	0	0%
<b>Claims</b>						
Property <sup>4</sup>	<u>2364</u> 126	<u>2364</u> 126	125	0	81	65%

	Tw enty-five (25) files w ere not review ed because they w ere rew ritten policies. Three files Footnote <sup>1</sup> - w ere added from the Insured Requested category of the All Other Cancellations area.
	Six files w ere determined to be expirations and w ere not review ed. Three files w ere moved to Footnote <sup>2</sup> - the After 89 days category of the Company Initiated area.
	Seven files w ere moved to the Prior to 90 days-Company Initiated category. Tw o files w ere Footnote <sup>3</sup> - moved to Non Pay and one file w as moved to Insured Requested in the All Other Cancellations area. These ten files w ere cited because the company w as unable to provide accurate termination population data. Although those violations are not reflected in this table, they are reflected in Part One of the Report.
	Footnote <sup>4</sup> - One claim w as opened in error by the company and w as not review ed.

## **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 – Homeowner Policies**

#### **NOTICE MAILED PRIOR TO THE 90<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed 25 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 no overcharges and no undercharges.

- (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 misrepresented the cancellation date on the cancellation notice.
- (2) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an adverse underwriting decision (AUD).
- (3) The examiners found 14 violations of § 38.2-2514 of the Code of Virginia. The company failed to show the notice was deposited with the USPS to be mailed to the insured.

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

The examiners reviewed four homeowner cancellation that was 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 one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide accurate population data files.
- (2) The examiners found three violations of § 38.2-2514 of the Code of Virginia. The company failed to send a cancellation notice to the insured when notified of foreclosure by the mortgagee.

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

The examiners reviewed 22 homeowner cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found no overcharges and undercharges totaling \$25.

- (1) The examiners found one violation of § 38.2-2513 A of the Code of Virginia. The company failed to calculate the earned premium properly.
- (2) The examiners found five violations of § 38.2-2514 of the Code of Virginia.
  - a. In two instances, the company failed to send the cancellation notice to the insured.
  - b. In three instances, the company failed to show the notice was deposited with the USPS to be mailed to the insured.

REQUESTED BY THE INSURED

The examiners reviewed 28 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 no overcharges and no undercharges.

- (1) The examiners found three violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide accurate population data files.
- (2) The examiners found five violations of § 38.2-2513 A of the Code of Virginia. The company failed to require a future cancel date from the insured.
- (3) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In one instance, the company failed to honor the date of cancellation requested by the insured.
  - b. In four instances, the company failed to maintain a copy of the insured's request for cancellation.

REJECTED APPLICATIONS

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

The examiners found ten violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide accurate population data files.

COMPANY-INITIATED NONRENEWALS – HOMEOWNER POLICIES

The examiners reviewed 20 homeowner nonrenewals that were initiated by the company.

- (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 misrepresented the reason for cancellation to the insured.
- (2) The examiners found six violations of § 38.2-2514 of the Code of Virginia.
  - a. In one instance, the company failed to send the nonrenewal notice to the insured.
  - b. In five instances, the company failed to show the notice was deposited with the USPS to be mailed to the insured.

**CLAIMS REVIEW****Homeowner Claims**

The examiners reviewed 125 homeowner claims for the period of January 1, 2019 through December 31, 2019. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$1,120.77 and underpayments totaling \$30,806.00. The net amount that should be paid to claimants is \$30,806.00 plus six percent (6%) simple interest.

- (1) The examiners found 50 violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

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



- (2) The examiners found four 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 the benefits under the Additional Living Expenses (ALE) coverage of the policy.
  - b. In one instance, the company failed to disclose the replacement cost benefits under the Building coverage of the policy.
  - c. In one instance, the company failed to disclose the Association Deductible benefit under the Additional Coverages coverage of the policy.
- (3) The examiners found two violations 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.
- (4) The examiners found one violation of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions. The company failed to pay the claim under the insured's Personal Property Replacement Cost coverage properly.
- (5) The examiners found five 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.

- (6) The examiners found 40 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. The company failed to properly represent the replacement cost provisions of the policy.

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

- (7) The examiners found five 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.
- (8) The examiners found one violation of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear. The company unreasonably delayed the settlement of a claim.
- (9) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (10) 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 include the lienholder on the check.
  - b. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
  - c. In one instance, the company failed to pay the claim under the correct coverage.

Other Law Violations

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

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms that are required by the company as a condition of payment.

**FORMS REVIEW**

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for the 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.

**Homeowner Policy Forms****POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The company provided copies of 69 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found 69 violations of § 38.2-2517 of the Code of Virginia. The company failed to file a policy form with the Bureau that the company used in the transaction of its business.

**POLICY FORMS CURRENTLY USED**

The examiners found no additional forms to review.

**COMPLAINT-HANDLING PROCESS REVIEW**

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

The examiners found no violations in this area.

**PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW**

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

The company provided its written information security procedures.

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

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to violations of the unfair claims handling statutes and regulations. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements and forms, the Bureau applies a zero-tolerance standard. This section identifies the violations of Virginia insurance statutes and regulations that are subject to a monetary penalty.

### **General**

Loudoun Mutual Insurance Company shall:

Provide a complete Corrective Action Plan (CAP)

### **Termination Review**

Loudoun Mutual Insurance Company shall:

- (1) Properly represent the benefits, coverages, advantages, and conditions of the policy.
- (2) Provide the insured a written AUD notice.
- (3) Provide convenient access to files, documents, and records relating to the examination.
- (4) Send the cancellation and nonrenewal notice to the insured.
- (5) Obtain valid proof of mailing the cancellation and nonrenewal notice deposited with the USPS.
- (6) Obtain advance notice of cancellation from the insured for insured-requested cancellations.

**Claims Review**

Loudoun Mutual Insurance Company shall:

- (1) Correct the errors that caused the underpayment and overpayment and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayment listed in the file.
- (4) Document the claim file so that all events and dates pertinent to the claim can be reconstructed.
- (5) Properly represent pertinent facts or insurance provisions relating to the replacement cost provisions of the policy.

**Forms Review**

Loudoun Mutual Insurance Company shall:

File all homeowner forms with the Bureau when used in Virginia.

### **PART THREE – RECOMMENDATIONS**

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

#### **RECOMMENDATIONS**

We recommend that the company take the following actions:

##### **Claims**

- Document the claim file when all applicable coverages have been disclosed to the insured. Particular attention should be given to ALE coverage and replacement cost benefits under the Dwelling coverage.
- Comply with the provisions of the insurance policy.
- Adopt and implement reasonable standards for the prompt investigation of claims.
- Provide a copy of the property estimate to the insured.
- Make appropriate replies to pertinent communications within 15 calendar days.

##### **Forms**

- Maintain accurate records regarding which forms are filed and used for policies issued in Virginia.

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

The Bureau of Insurance concluded its first examination of Loudoun Mutual Insurance Company in 2002, which included a review of homeowner and dwelling fire claims, forms and complaints. This first examination report resulted in violations of § 38.2-510 A 1 of the Code of Virginia.

**ACKNOWLEDGEMENT**

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

Sincerely,  
  
Manager  
P&C Market Conduct Section



# COMMONWEALTH OF VIRGINIA



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

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[scc.virginia.gov](http://scc.virginia.gov)

March 10, 2021

## VIA E-MAIL DELIVERY

Mr. Christopher G. Shipe, President  
Loudoun Mutual Insurance Company  
P.O. Box 58  
Waterford, VA 20197  
[chris.shipe@loudounmutual.com](mailto:chris.shipe@loudounmutual.com)

RE: Market Conduct Examination  
Loudoun Mutual Insurance Company, NAIC #10329  
Examination Period: January 1, 2019 through December 31, 2019

Dear Mr. Shipe:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of Loudoun Mutual Insurance Company for the period of January 1, 2019 through December 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 January 20, 2021. 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 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. 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 its response. This file lists the review items for which the examiners identified claims underpayments.

The company's response and the spreadsheet mentioned above must be returned to the Bureau by April 23, 2021.

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 April 23, 2021.

Sincerely,



Andrea D. Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
Cell: (804) 592-0245  
Office: (804) 371-9547  
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ADB/pgh  
Attachments

# LOUDOUN MUTUAL

I N S U R A N C E   C O M P A N Y

April 19, 2021

Andrea D. Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
PO B ox 1157  
Richmond, VA 23218

RE: Market Conduct Examination  
Loudoun Mutual Insurance Company, NAIC #10329  
Examination Period: January 1, 2019 through December 31, 2019

Dear Ms. Baytop,

Please see the attached response and corrective action plan developed by Loudoun Mutual as a result of the recent market conduct examination.

After you have had the opportunity to review our responses, plans, and the supporting documentation, please feel free to contact me if you have any follow up questions.

Respectfully,

Christopher G. Shipe, AIT, CPCU  
President/CEO

# Loudoun Mutual Response and Corrective Action Plans

## Underwriting

### Termination Review

- (1) Properly represent the benefits, coverages, advantages, and conditions of the policy.

*One of the issues noted as part of the 2019 market conduct exam revealed that we were not adhering to a condition in our policy form that requires a future date for when a policy can be canceled at the insureds request. We had been allowing back-dated cancellations which was not in compliance with our policy forms, though was a market-standard approach to cancellations. We have since updated a mandatory form on all policies (LM-31) to amend the wording in our base policy to eliminate the future date requirement. This change became effective 1/1/2021 for all policies.*

*Another issue noted as part of the 2019 market conduct exam involved canceling a policy upon notification from mortgagees that the property had been foreclosed upon. We now realize that these situations do not warrant policy cancellation; the insured – even when foreclosed upon – still has contents and personal liability coverage needs. Further, the cancellation provisions of our policy still apply to the named insured. We have made an immediate change to our in-house workflow to no longer enact a cancellation when receiving notice of a foreclosure. We now instead enact an underwriting inquiry and/or flag the policy for non-renewal instead of mid-term cancellation.*

- (2) Provide the insured a written AUD notice.

*The 2019 market conduct exam has noted that we were not retaining a final copy of AUDs that include both our letterhead and the mailing barcode. We outsource our printing to MassPrinting who stamps the barcode on AUDs before mailing them. MassPrinting also uses pre-printed letterhead so that our corporate address and colors show on the notices. However, MassPrinting was capturing the image of the document prior to being incorporated with the pre-printed letterhead; therefore, the final retained image did not include the corporate address.*

*However, this process has been changed. We have eliminated the pre-printed letterhead and are stamping a black and white letterhead onto the initial image included in AUDs. Therefore, the new retained image will include both the barcode and the corporate address.*

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

*We believe that most of the challenges of providing documents related to the 2019 market conduct exam were mostly complicated by the existence of two policy management systems. In 2019, we were right in the middle of converting policy data from one system (Garvin Allen) to another (BriteCore). This posed some documentation-gathering challenges. Having fully converted to a single policy management system for all lines of business effective 1/1/2021 should eliminate any complications related to convenient access to files, documents, and records for future exams.*

- (4) Send the cancellation and nonrenewal notice to the insured.

*We are confident that many of the files cited for showing no evidence of AUDs were also related to our policy management system conversion. In our old system (Garvin Allen) issuing AUDs was done manually. The letter was manually typed and then manually indexed into our document imaging system (OnBase). Human error would have led to some failure to properly image the documentation. We suspect most of the violations came from this process. We are very confident that the AUDs were issued; we just failed to properly index them into our imaging system.*

*Having now switched to BriteCore's policy management system, the process for most nonrenewal AUDs is automated – both from a letter issuance standpoint and image system indexing standpoint. The BriteCore system issues the AUD letter and passes it to MassPrinting who barcodes it and retains the final image. The BriteCore document is automatically indexed into OnBase by a nightly process. Both automated processes from within a single policy management system should provide a much clearer documentation trail.*

*Cancellations done within the first 90 days remains a manual process, so there exists the possibility of human error in the documentation trail. However, plans are being developed to utilize the automatic processes available through BriteCore and MassPrinting to change this workflow resulting in a documentation trail similar to non-renewals.*

- (5) Obtain valid proof of mailing the cancellation and nonrenewal notice deposited with the USPS.

*Our process of obtaining valid proof of mailing in 2019 was also challenged by our policy management system conversion. The process by which we obtained proof of mailing was less reliable for those processed by our older (Garvin Allen) system. In our new BriteCore system the processes are much more reliable but still not failproof. As such, we are working on a plan to build an internal audit process to verify that all AUDs are accounted for. The process will cross-check the number of AUDs issued from within BriteCore with the number of confirmed deliveries from MassPrinting's records.*

### **Forms Review**

Loudoun Mutual Insurance Company shall: File all homeowner forms with the Bureau when used in Virginia.

*All homeowner forms were filed with the state of Virginia on Dec 29<sup>th</sup>, 2020 as can be confirmed by the email exchange below:*

**From:** Phyllis Oates <Phyllis.Oates@scc.virginia.gov>  
**Sent:** Tuesday, January 5, 2021 3:01 PM  
**To:** Tim Koppenhaver <tim.koppenhaver@loudounmutual.com>  
**Cc:** Joy Morton <Joy.Morton@scc.virginia.gov>; Andrea Baytop <Andrea.Baytop@scc.virginia.gov>;  
**Subject:** RE: Loudoun Forms-Bureau Contact

Good afternoon Tim and Happy New Year to you! We did receive the homeowners' forms via SERFF, and all looks good. We have sent an acknowledgment to you via SERFF, and you should be good to submit the forms for the other lines of insurance. We appreciate the e-mail and hope that you will reach out if you have any questions.

Thank you,  
Phyllis

*Phyllis Oates*  
Manager – Personal Lines  
Rules, Rates, and Forms Review  
Virginia Bureau of Insurance

**From:** Tim Koppenhaver <[tim.koppenhaver@loudounmutual.com](mailto:tim.koppenhaver@loudounmutual.com)>  
**Sent:** Wednesday, December 30, 2020 8:58 AM  
**To:** Phyllis Oates <[Phyllis.Oates@scc.virginia.gov](mailto:Phyllis.Oates@scc.virginia.gov)>  
**Cc:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; Andrea Baytop <[Andrea.Baytop@scc.virginia.gov](mailto:Andrea.Baytop@scc.virginia.gov)>;  
**Subject:** RE: Loudoun Forms-Bureau Contact

Hi Phyllis,

Hope you are doing well and HAPPY NEW YEAR.

Yesterday, I filed our Homeowners forms thru SERFF. It is the first time I ever used SERFF, so I hope everything was submitted correctly. However, if you need anything else, please let me know. I plan on submitted our other lines once I confirm that I am using SERFF correctly.

Also, we have now disassociated from AAIS's auto-filing as you had suggested.

Thanks.

Tim

**Tim Koppenhaver, ARM, PFMM**  
Executive Vice President  
Loudoun Mutual Insurance Company  
Direct Dial: 540 822-0314  
Mobile/Text: 571 420-7566

## Claims Review

### Homeowner Claims

- (4) The examiners found four violations of 14 VAC 5-400-70 D. Upon further investigation of each claim and payment review, the following information was found to revise or withdraw these violations. Documentation for this rebuttal can be found in the attachments provided.
- a. *Under the Dwelling Replacement Cost coverage, the first instance showed an underpayment of \$912.50. It appears the examiners used the numbers on the adjuster report, which did not reflect the \$500 limit for the tree coverage. The initial payment for ACV of \$4,401.99 was issued from the initial report. The supplement of \$528.00 was issued as a supplement from the 2<sup>nd</sup> report. The supplement should have been \$336.02, which created an overpayment of \$203.27. Attachment #1 shows the details. No additional payment needed.*  
  
*The second instance shows an underpayment of \$1,490.25. This amount is for recoverable depreciation that was not claimed with an email from the insured to the adjuster confirming this. The original payment letter was not uploaded to the file which created confusion for the review. Attachment #1 shows the details. No additional payment needed.*
  - b. *Under the Additional Coverages coverage, the one instance involved failure to provide up to \$1500 to the insured for the Association deductible since they paid for the water damage to the home. The adjuster contacted the insured on April 8, 2021 and confirmed the insurance company for the Association took care of all damages and the insured was not charged for any portion of the deductible. Since he is not out of pocket any money, no payment is needed.*
  - c. *Under the Personal Property Replacement Cost coverage, the one instance involved a theft claim of a prosthetic hand/arm. The adjuster worked with the Medicaid contact for the insured to get the arm replaced because the insureds original request for replacement was denied. Numerous calls took place with the insured and medical professionals. It took until July 15, 2020 to receive an invoice for the parts needed for the hand. When received, the adjuster offered to pay this portion to the insured, but he wanted the entire amount. We did not have documentation showing the full amount at that time. In October 2020, we discussed the case again and decided to pay the amount we had documentation for. In November 2020, the insured sent a final invoice to the adjuster showing a replacement hand had been completed. We owed a balance of \$564.09 which was paid on November 23, 2020. The insured sent his thanks, and we settled the claim for \$33,838.36 instead of \$100,000 which we could not get documentation for. We do not feel the 6% simple interest payment is warranted since the insured declined partial payment when the invoice for the parts was received.*

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

### **Claims Review**

- (1) See part 1 for our dispute of underpayments. We have put processes in place to improve our documentation of files.
- (2) No simple interest payments have been made yet, waiting outcome of part 1 of this report.
- (3) Restitution spreadsheet is attached to this report as attachment 2.
- (4) Implemented new process for file documentation and adjuster checklist on 3-25-2020. See attachment 3 and 4 for details.
- (5) Updating letter template to include policy language for replacement cost provisions of the policy. Meeting held with all adjusters on 4-15-21 to discuss and mandatory change effective 5-1-21.

## **PART THREE –RECOMMENDATIONS**

### **Claims**

*In a team meeting on 4-14-2021, the findings of the Market Conduct Review were discussed. We went over each violation found by the examiners and made changes to our current documentation process to include corrections to all violations noted. More focus will be placed on noting the file with what is shared with insureds, such as all coverages available to them on a claim and estimates of repair provided. We will implement reasonable standards for prompt investigation and settlement of claims. This will be done by the process changes noted in Part two of this report, as well as manager feedback provided to associates from file reviews.*

# 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  
[scc.virginia.gov](http://scc.virginia.gov)

June 11, 2021

## VIA E-MAIL DELIVERY

Christopher G. Shipe, President  
Loudoun Mutual Insurance Company  
P.O. Box 58  
Waterford, VA 20197  
[chris.shipe@loudounmutual.com](mailto:chris.shipe@loudounmutual.com)

RE: Market Conduct Examination  
Loudoun Mutual Insurance Company, NAIC #10329  
Examination Period: January 1, 2019 through December 31, 2019

Dear Mr. Shipe:

The Bureau of Insurance (Bureau) has reviewed the April 19, 2021 response to the Preliminary Market Conduct Report (Report) of the above-referenced company. The Bureau's response only addresses those items for which the Company provided a rebuttal to the Bureau's findings or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Homeowner Claims

- (1) One violation for CHO074 has been added to the Report under this item for the Company failing to maintain a copy of the original payment letter in the claim file. This violation was moved from item (4a) of the Report.
- (2c) One violation for CHO024 has been added to the Report under this new item for the Company failing to disclose that the Association Deductible could be reimbursed if incurred. This violation was moved from item (4b) of the Report. The Report has been renumbered to reflect this change.



- (4a) After further review, the violation for CHO034 has been withdrawn from the Report. The Company overpaid the claim as the estimate included the cost of tree removal and replacement that was \$1,120.77 over the \$500 Tree coverage limit. A violation has been added for paying more than the insured was entitled to receive under item (10b) of the Report.

After further review, the violation for CHO074 has been withdrawn from the Report. A violation has been added for failing to properly document the claim file under item (1) of the Report. The Company should provide a copy of the original payment letter and ensure it is now a part of the claim file.

The Report has been renumbered to reflect these changes.

- (4b) After further review, the violation for CHO024 has been withdrawn from the Report. This violation has been moved to item (2c) of the Report. for failing to disclose to the insured that the policy could pay up to \$1,500 of any association deductible. The Report has been renumbered to reflect this change.

- (4c) The violation for CHO069 remains in the Report. The Company received the invoice that was the basis of its offer on April 28, 2020. Through the Bureau's review date of September 18, 2020, there were no notes in the claim file of an offer of payment being extended to the named insured or his declining that offer. After receiving the Bureau's violation, the Company based its settlement offer upon the invoice that was previously received on April 28, 2020. The Company had sufficient details to have made the claim payment prior to October 2020. Therefore, the six percent (6%) penalty applied to the underpayment is still required. The Restitution spreadsheet indicated the Company made a payment of \$31,365.91, which does not correspond to the amount requested by the Bureau or indicated in the Company's response.

- (10b) One violation for CHO034 has been added to the Report under this item for the Company paying more than the \$500 Tree coverage limit stated in the policy. This item was moved from item (4a) of the Report.

After further review, the violation for CHO091 has been withdrawn from the Report. The Company followed its policy provisions, although it did not follow its claims handling guidelines when the lienholder was included on a check.

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

### **Terminations**

- (1) The first paragraph of the Company's response appears to address item (6) of the Corrective Action Plan to obtain advance notice of cancellation from the insured.

The second paragraph of the Company's response appears to address item (4) of the Corrective Action Plan to send the cancellation and nonrenewal notices to the insured.

Please provide the completion or estimated completion date when the cancellation date will accurately appear on cancellation notices.

- (2) The Company's response appears to address item (5) of the Corrective Action Plan.

Please provide the completion or estimated completion date when the Adverse Underwriting Decision language required by § 38.2-610 of the Code of Virginia will appear in cancellation notices mailed prior to the 90<sup>th</sup> day of coverage.

- (4) Please explain what processes the Company will implement to ensure cancellations mailed within the 89<sup>th</sup> day of coverage are sent to insureds.
- (6) This item was addressed in the Company's response to item (1) above.

### Claims

- (1) The Company should make the outstanding restitution indicated in the Restitution Spreadsheet.

## PART THREE – RECOMMENDATIONS

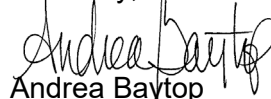
### Claims

These items have been revised to reflect the changes made to the Report.

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

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by June 30, 2021.

Sincerely,



Andrea Baytop

Manager

Market Conduct Section

Property and Casualty Division

(804) 592-0245

[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

ADB/pgh  
Attachments

# LOUDOUN MUTUAL

I N S U R A N C E C O M P A N Y

June 25, 2021

Andrea Baytop  
Bureau of Insurance  
P. O. Box 1157  
Richmond, VA 23218

Re: Loudoun Mutual Insurance Company (NAIC # 10329)  
2019 Market Conduct Exam

Dear Ms. Baytop:

In regard to your June 11<sup>th</sup>, 2021 letter to Chris Shipe, we offer our response below. The highlighted text provides our response to the revised examination report.

If you have any questions, please feel free to contact either myself, Selena Duggar, or Chris Shipe.

Sincerely,

Tim Koppenhaver, ARM, PFMM  
Executive Vice President

## PART ONE – EXAMINERS’ OBSERVATIONS

### *Homeowner Claims*

- (1) One violation for CHO074 has been added to the Report under this item for the Company failing to maintain a copy of the original payment letter in the claim file. This violation was moved from item (4a) of the Report.
- (2c) One violation for CHO024 has been added to the Report under this new item for the Company failing to disclose that the Association Deductible could be reimbursed if incurred. This violation was moved from item (4b) of the Report. The Report has been renumbered to reflect this change.
- (4a) After further review, the violation for CHO034 has been withdrawn from the Report. The Company overpaid the claim as the estimate included the cost of tree removal and replacement that was \$1,120.77 over the \$500 Tree coverage limit. A violation has been added for paying more than the insured was entitled to receive under item (10b) of the Report. After further review, the violation for CHO074 has been withdrawn from the Report. A violation has been added for failing to properly document the claim file under item (1) of the Report. The Company should provide a copy of the original payment letter and ensure it is now a part of the claim file.  
The Report has been renumbered to reflect these changes.

#### LOUDOUN RESPONSE:

Violation for CHO074 was withdrawn. As requested, a copy of the missing payment letter has been added to the claims file and attached for your review.

- (4b) After further review, the violation for CHO024 has been withdrawn from the Report. This violation has been moved to item (2c) of the Report. for failing to disclose to the insured that the policy could pay up to \$1,500 of any association deductible. The Report has been renumbered to reflect this change.
- (4c) The violation for CHO069 remains in the Report. The Company received the invoice that was the basis of its offer on April 28, 2020. Through the Bureau’s review date of September 18, 2020, there were no notes in the claim file of an offer of payment being extended to the named insured or his declining that offer. After receiving the Bureau’s violation, the Company based its settlement offer upon the invoice that was previously received on April 28, 2020. The Company had sufficient details to have made the claim payment prior to October 2020. Therefore, the six percent (6%) penalty applied to the underpayment is still required. The Restitution spreadsheet indicated the Company made a payment of \$31,365.91, which does not correspond to the amount requested by the Bureau or indicated in the Company’s response.

#### LOUDOUN RESPONSE:

The violation for CHO069 remains in the report. The examiners indicate the invoice was received in April 2020 in the amount of \$31,806. This was not an invoice with clear breakdowns of cost, so we continued to try and receive better information. This was sent in a text format and not uploaded to the file at the time since this is not what we planned on using to settle the claim. On July 15, 2020, this same invoice was sent again as the only invoice our policy holder was able to obtain. After

months of working with our policy holder and medical facilities with no success of better documentation, we settled this portion of the claim with this invoice price.

The observation indicates we did not pay the proper amount listed on the restitution spreadsheet, but that is because the amount listed was incorrect. The invoice total was \$31,806, but no deductible had been taken yet. Our initial settlement was based on the following:

Invoice for components	\$31,806.00	
Cost for wrist test sock	560.91	
Total	32,365.91	
Less Deductible	- 1,000.00	
Payment #1 to Policy holder	\$31,365.91	issued 10/14/20, listed on spreadsheet

The policy holder was able to have his arm remade for a total of \$32,930. He presented his final invoice, and a second check was issued on 11/23/20 in the amount of \$564.09 (the balance due after initial payment and deductible). This is part of the reason we were pushing for actual invoices/estimates rather than paying the \$100,000 the policy holder was demanding. Loudoun mutual is dedicated to all our policy holders and paying the correct amount on each claim. We have issued payment of the 6% of the initial invoice in the amount of \$1,908.36 as you requested and indicated on the restitution spreadsheet. This should resolve this violation.

- (10b) One violation for CHO034 has been added to the Report under this item for the Company paying more than the \$500 Tree coverage limit stated in the policy. This item was moved from item (4a) of the Report.  
After further review, the violation for CHO091 has been withdrawn from the Report. The Company followed its policy provisions, although it did not follow its claims handling guidelines when the lienholder was included on a check.

**PART TWO – CORRECTIVE ACTION PLAN**

*Terminations*

- (1) The first paragraph of the Company’s response appears to address item (6) of the Corrective Action Plan to obtain advance notice of cancellation from the insured.  
The second paragraph of the Company’s response appears to address item (4) of the Corrective Action Plan to send the cancellation and nonrenewal notices to the insured.  
*Please provide the completion or estimated completion date when the cancellation date will accurately appear on cancellation notices.*

**LOUDOUN RESPONSE:**

We feel that the cancelation notices issued out of BriteCore now do show the proper cancelation date. In 2019, due to conversion complications and other rarities associated with fine-tuning the BriteCore output, the reasons for the few notices that were issued with incorrect dates have been identified and corrected. In 2021, we have no reports of notices with incorrect cancelation dates.

- (2) The Company's response appears to address item (5) of the Corrective Action Plan.  
*Please provide the completion or estimated completion date when the Adverse Underwriting Decision language required by § 38.2-610 of the Code of Virginia will appear in cancellation notices mailed prior to the 90<sup>th</sup> day of coverage.*

**LOUDOUN RESPONSE:**

Our printing vendor will have the processes in place by the end of June, 30<sup>th</sup>, 2021 that provides a retained image of AUD's to include the company letterhead. Below is an email exchange between us and our printing vendor MassPrinting to confirm this.

**From:** Drew Stadterman <[astadterman@massprinting.com](mailto:astadterman@massprinting.com)>  
**Sent:** Thursday, June 24, 2021 2:44 PM  
**To:** Tim Koppenhaver <[tim.koppenhaver@loudounmutual.com](mailto:tim.koppenhaver@loudounmutual.com)>  
**Cc:** Luis Manzano <[luis.manzano@loudounmutual.com](mailto:luis.manzano@loudounmutual.com)>  
**Subject:** RE: Logo on Nonrenewals

Hi Tim,

I apologize for the delayed response, but we encountered a slight delay this week with our print partner on making this change. We are confirmed for a Monday go-live on this. I will confirm on Monday that this is live.

Drew

**Drew Stadterman**

300 Unicorn Park Dr, 4<sup>th</sup> Floor, Woburn, MA 01801

**From:** Tim Koppenhaver <[tim.koppenhaver@loudounmutual.com](mailto:tim.koppenhaver@loudounmutual.com)>  
**Sent:** Friday, June 18, 2021 9:46 AM  
**To:** Drew Stadterman <[astadterman@massprinting.com](mailto:astadterman@massprinting.com)>  
**Subject:** Logo on Nonrenewals

Hi Drew,

I think Luis Manzano is going to be reaching out to you regarding the issuance of our non-renewals. The Virginia Bureau of Insurance is after us about retaining an imaged copy that includes both the non-renewal wording and the company logo. Our current retained image does not include the logo – see image. I'm hoping to get this resolved as soon as possible so I can respond to the Bureau. Let me know if you have any questions.

Thanks.

Tim

- (4) *Please explain what processes the Company will implement to ensure cancellations mailed within the 89<sup>th</sup> day of coverage are sent to insureds.*

**LOUDOUN RESPONSE:**

Currently, cancellations within the 89<sup>th</sup> day of coverage are processed manually which has the potential to lead to a failure to properly retain documents. The individuals who process these cancellations have been told of the importance of compliance with state requirement, and are asked to re-double efforts in regard to document retention.

- (6) This item was addressed in the Company's response to item (1) above.

*Claims*

- (1) The Company should make the outstanding restitution indicated in the Restitution Spreadsheet.

**LOUDOUN RESPONSE:**

Payment has been made as listed on the restitution spreadsheet and attached for review.

## **Andrea Baytop**

---

**From:** Andrea Baytop  
**Sent:** Friday, July 30, 2021 11:21 AM  
**To:** Chris Shipe; Tim Koppenhaver  
**Cc:** Selena Duggar; Joy Morton  
**Subject:** Loudoun Response 6/11/2021

Good Morning,

In order to move towards settlement, we have one outstanding issue we would like to address via e-mail.

We appreciate the company's explanation of the different payments made for CHO069. I have revised the review sheet to accurately reflect the underpayment for CHO069 as \$30,806 instead of \$31,806. The review sheet is located in the Examination Report folder in [REDACTED].

We will proceed to send you our Pre-settlement Letter in the very near future.

Thank you,

**Andrea Baytop, AMCM**

Manager  
P&C Market Conduct Section  
Virginia Bureau of Insurance  
804.592.0245  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

Confidential



# 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  
[scc.virginia.gov](http://scc.virginia.gov)

August 25, 2021

## VIA E-MAIL

Christopher G. Shipe, President  
Loudoun Mutual Insurance Company  
P.O. Box 58  
Waterford, VA 20197  
[chris.shipe@loudounmutual.com](mailto:chris.shipe@loudounmutual.com)

RE: Market Conduct Examination  
Loudoun Mutual Insurance Company, NAIC #10329  
Examination Period: January 1, 2019 through December 31, 2019

Dear Mr. Shipe:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of June 25, 2021. Based upon the Bureau's review of the company's correspondence, we are now in a position to conclude this examination. Attached is the final Market Conduct Examination Report of Loudoun Mutual Insurance Company (Report).

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

Sections 38.2-502 1, 38.2-510 A 1, 38.2-610 A, 38.2-1318 C, 38.2-2513 A, 38.2-2514, and 38.2-2517 of the Code of Virginia; and 14 VAC 5-400-30 C of the Virginia Administrative Code.

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

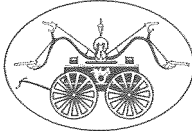
In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Andrea Baytop". The signature is written in a cursive style.

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

ADB/pgh  
Attachment



# LOUDOUN MUTUAL

INSURANCE COMPANY

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-2021-00109

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated August 25, 2021, 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, 38.2-1318 C, 38.2-2513 A, 38.2-2514, and 38.2-2517 of the Code of Virginia; and 14 VAC 5-400-30 C 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 \$24,000.
2. We agree to comply with the corrective action plan set forth in the company's letters of April 19 and June 25, 2021.
3. We confirm that restitution was made to one consumer for \$33,838.36 in accordance with the company's letters of April 19 and June 25, 2021.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

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

Sincerely,

Loudoun Mutual Insurance Company, NAIC #10329

(Signed)

Christopher G. Shipe  
President/CEO  
9/16/21

STATE CORP. COMMISSION  
2021 SEP 22 PM 9:57

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**  
**[scc.virginia.gov](http://scc.virginia.gov)**

Loudoun Mutual Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$24,000 by its check numbered 0000315493 and dated September 15, 2021, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 14, 2021

CLERK'S OFFICE  
SETTLEMENT CONTROL CENTER  
2021 OCT 14 P 2: 54

2021 OCT 14 P 2: 54

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2021-00109

LOUDOUN MUTUAL INSURANCE COMPANY,  
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Loudoun Mutual 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 misrepresenting the benefits, advantages, conditions, or terms of an insurance policy; § 38.2-510 A 1 of the Code by failing to properly represent pertinent facts or insurance policy provisions relating to coverages at issue with such frequency as to indicate a general business practice; § 38.2-610 A of the Code by failing to accurately provide the required notices to insureds; § 38.2-1318 C of the Code by failing to provide convenient access to files, documents, and records to Commission personnel during an examination as required by statute; § 38.2-2513 A of the Code by failing to handle mutual assessment member exclusions and withdrawals properly; § 38.2-2514 of the Code by failing to show cancellation notices were deposited with the United States Postal Service and mailed to the insured; § 38.2-2517 of the Code by issuing insurance policies or endorsements without having filed such policies or endorsements with the Commission prior to use; and 14 VAC 5-400-30 C 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 document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

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

The Defendant has been advised of the right to a hearing in this matter whereupon the Defendant, without admitting or denying any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has agreed to comply with the corrective action plan outlined in the company's correspondence dated April 19, 2021 and June 25, 2021; has confirmed restitution was made to one consumer in the amount of Thirty Three Thousand Eight Hundred Thirty Eight Dollars and Thirty Six Cents (\$33,838.36); has tendered to the Treasurer of Virginia the sum of Twenty Four Thousand Dollars (\$24,000); 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 of this order shall be sent by the Clerk of the Commission by electronic mail to: Christopher G. Shipe, President, Loudoun Mutual Insurance Company, at [chris.shipe@loudounmutual.com](mailto:chris.shipe@loudounmutual.com), P.O. Box 58, Waterford, Virginia 20197; 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.