

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**SELECTIVE INSURANCE COMPANY OF  
AMERICA**

**SELECTIVE INSURANCE COMPANY OF  
SOUTH CAROLINA**

**SELECTIVE WAY INSURANCE COMPANY**

**AS OF**

**June 30, 2019**

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

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA



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### BUREAU OF INSURANCE

I, Melody S. Morrissette, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Selective Insurance Company of America, Selective Insurance Company of South Carolina, and Selective Way Insurance Company as of June 30, 2019, conducted at the companies' 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 companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number (INS-2022-00024) 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 22nd day of March 2022.

A handwritten signature in cursive script, reading 'Melody Morrissette', written over a horizontal line.

Examiner in Charge

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	5
INTRODUCTION .....	7
COMPANY PROFILES .....	8
SCOPE OF THE EXAMINATION .....	11
STATISTICAL SUMMARY .....	12
PART ONE – THE EXAMINERS’ OBSERVATIONS .....	15
RATING AND UNDERWRITING REVIEW.....	15
Automobile New Business Policies .....	15
Automobile Renewal Business Policies.....	16
Homeowner New Business Policies.....	17
Homeowner Renewal Business Policies .....	17
Commercial Automobile New Business Policies .....	18
Commercial Automobile Renewal Business Policies.....	19
Commercial Property and Liability New Business Policies .....	20
Commercial Property and Liability Renewal Business Policies.....	21
TERMINATION REVIEW .....	23
Company-Initiated Cancellations – Automobile Policies .....	23
Notice Mailed After the 59 <sup>th</sup> Day of Coverage .....	23
All Other Cancellations – Automobile Policies.....	23
Nonpayment of the Premium .....	23
Requested by the Insured .....	24
Company-Initiated Nonrenewals – Automobile Policies.....	24
Company-Initiated Cancellations – Homeowner Policies.....	24
Notice Mailed Prior to the 90 <sup>th</sup> Day of Coverage .....	24
Notice Mailed After the 89 <sup>th</sup> Day of Coverage .....	25
All Other Cancellations – Homeowner Policies .....	25

Selective Insurance Companies

Nonpayment of the Premium .....	25
Requested by the Insured .....	25
Company-Initiated Nonrenewals – Homeowner Policies .....	26
Commercial Automobile Policies .....	26
Commercial Property and Liability Policies.....	27
CLAIMS.....	28
Private Passenger Automobile Claims .....	28
Homeowner Claims.....	32
Commercial Automobile Claims .....	33
Commercial Property and Liability Claims .....	36
FORMS REVIEW .....	38
Automobile Policy Forms .....	38
Policy Forms Used During the Examination Period .....	38
Policy Forms Currently Used .....	39
Homeowner Policy Forms .....	39
Policy Forms Used During the Examination Period .....	39
Policy Forms Currently Used .....	39
Commercial Automobile Policy Forms.....	39
Policy Forms Used During the Examination Period .....	39
Policy Forms Currently Used .....	39
Commercial Property and Liability Policy Forms .....	39
Policy Forms Used During the Examination Period .....	39
Policy Forms Currently Used .....	40
Commercial Package Policies Policy Forms .....	40
Policy Forms Used During the Examination Period .....	40
Policy Forms Currently Used .....	40
POLICY ISSUANCE PROCESS REVIEW .....	40
Automobile Policies.....	41
New Business Policies .....	41

## Selective Insurance Companies

Renewal Business Policies.....	41
Homeowner Policies .....	41
New Business Policies .....	41
Renewal Business Policies.....	41
Commercial Automobile Policies.....	41
New Business Policies .....	42
Renewal Business Policies.....	42
Commercial Property and Liability Policies.....	42
New Business Policies .....	42
Renewal Business Policies.....	42
STATUTORY NOTICES REVIEW .....	43
General Statutory Notices .....	44
Statutory Vehicle Notices .....	44
Statutory Property Notices .....	45
Other Notices.....	45
LICENSING AND APPOINTMENT REVIEW .....	45
Agency.....	45
Agent.....	46
COMPLAINT-HANDLING PROCESS REVIEW .....	46
PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW.....	46
PART TWO – CORRECTIVE ACTION PLAN .....	47
General.....	47
Rating and Underwriting Review .....	47
Termination Review .....	48
Claims Review .....	49
Forms Review.....	50
Policy Issuance Process Review.....	50
Statutory Notices Review .....	51

Selective Insurance Companies

Licensing and Appointment Review ..... 52

Complaint-Handling Process Review ..... 52

PART THREE – RECOMMENDATIONS..... 53

    RECOMMENDATIONS ..... 53

        Rating and Underwriting..... 53

        Termination..... 53

        Claims..... 54

        Forms ..... 55

        Policy Issuance Process ..... 55

        Statutory Notices..... 55

SUMMARY OF PREVIOUS EXAMINATION FINDINGS ..... 55

ACKNOWLEDGEMENT..... 56

## EXECUTIVE SUMMARY

The examination included a detailed review of Selective Insurance Company of America, Selective Insurance Company of South Carolina, and Selective Way Insurance Company's private passenger automobile, homeowner, commercial automobile, commercial property, and commercial general liability lines of business in Virginia for the period beginning July 1, 2018 and ending June 30, 2019. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance, statutory notices, agent/agency licensing, complaint-handling, and information security practices.

This is the first Market Conduct Examination the Virginia Bureau of Insurance (Bureau) has performed on these companies in 23 years. The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis.

The examination revealed violations that were significant. There were 1,013 total violations in this Report. There were 686 rating and underwriting violations, in contrast to 46 violations in the area of terminations.

In the area of claims there were 197 violations and nine general business practices (GBP). There were 23 forms violations, 21 violations in the area of policy issuance, 23 violations in the area of licensing and appointments, two violations of the complaint register, and 15 notice violations.

The Corrective Action Plan (CAP) for rating and underwriting requested that the companies specify accurate information in the policy, provide convenient access to files, file all rates and supplementary rating information with the Bureau prior to use, use the rules and rates on file with the Bureau, and only use property forms approved by the Bureau. The CAP for terminations requested that the companies advise the insured of the availability of other insurance, obtain and retain valid proof of mailing the notice of cancellation to the insured, cancel homeowner policies after the 89<sup>th</sup> day of coverage only for reasons permitted by the Code of Virginia, and calculate the earned premium correctly.



The claims CAP requested that the companies disclose to the insured all coverages applicable to the loss, offer an amount that is fair and reasonable, provide copies of repair estimates prepared by or on behalf of the company, and properly represent pertinent facts and policy provisions relating to the coverages at issue.

In the area of forms, the companies were advised to file property forms with the Bureau prior to use and have available for use all of the mandatory standard automobile forms. The policy issuance CAP requested that the companies specify accurate information in the policy, provide the Important Information Regarding Your Insurance notice, provide the Flood Exclusion notice, and provide the Ordinance or Law notice. In the area of notices, the companies were advised to create or correct the following notices: short form Information Collection and Disclosure Practices, Adverse Underwriting Decision (AUD), Accident Point Surcharge, Insurance Credit Score Disclosure, Replacement Cost Provisions, Misquote of Premium, Flood Exclusion, Medical Expense Benefits (MEB) Limits and Uninsured Motorist (UM) Limits.

The licensing and appointment CAP requested that the companies retain insurance transaction records properly, appoint agencies and agents within 30 days of issuing policies, only accept business from agencies that are licensed in the Virginia. The complaint-handling CAP requested the companies to maintain complete records in compliance with the statute.

Finally, the CAP requested that restitution of \$65,026.45 be made to 110 Virginia consumers.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile, homeowners, commercial automobile, and commercial property and liability lines of business written by Selective Insurance Company of America, Selective Insurance Company of South Carolina, and Selective Way Insurance Company at their office in Richmond, Virginia.

The examination commenced September 30, 2019 and concluded August 10, 2020. Brandon Ayers, Andrea Baytop, William Felvey, Ju'Coby Hendrick, Dan Koch, Melody Morrissette, Latitia Orange, and Gloria Warriner, examiners of the Bureau of Insurance, and Joy M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on August 27, 2019 and was assigned the Action Number of VA-VA177-9. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

**COMPANY PROFILES\***

The Selective Insurance Company of America was incorporated on December 7, 1928 as Selected Risks Insurance Company under the laws of New Jersey to serve as the continuing successor of a mutual carrier of the same name, which was incorporated under the laws of New Jersey on December 22, 1925. The corporate name was changed to Selected Risks Indemnity Company in February 1930. The company adopted the name Selected Risks Insurance Company and entered into the multiple line field on December 31, 1957 and, at the same time, absorbed by merger the Selected Risks Fire Insurance Company, a wholly owned subsidiary that was acquired in December 1930. The present name was approved on January 1, 1986. Paid in capital of \$4,400,000 consists of 1,100,000 shares of common stock at par value of \$4 per share. Authorized capital stock at year end was 5,000,000 shares.

The Selective Insurance Company of South Carolina was incorporated under the laws of South Carolina as South State Insurance Company on October 24, 1951 and commenced operations on January 1, 1952. The present name was adopted on January 2, 1986. Effective July 1, 1995, the company merged with its affiliate, Charleston Insurance Company, with Selective Insurance Company of South Carolina as the surviving entity. The company changed its state of domicile from South Carolina to Indiana on June 30, 2008. Capital paid up of \$5,000,000 consists of 500,000 shares of common stock at a par value of \$10 per share. All shares are authorized and outstanding.

The Selective Way Insurance Company was incorporated on April 24, 1973 as Select Way Insurance Company under the laws of New Jersey and began business on November 1 of the same year. The name was changed to its present form on January 1, 1986. Capital paid up of \$5,000,000 consists of 1,000,000 shares of common stock at a

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

par value of \$5 per share. All shares are authorized and outstanding.

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

<b>GROUP CODE: 0242</b>	<b>SICA</b>	<b>SICSC</b>	<b>SWIC</b>
NAIC Company Number	12572	19259	26301
LICENSED IN VIRGINIA	06/26/1962	08/20/1991	09/08/1975
LINES OF INSURANCE			
Accident and Sickness	X	X	
Aircraft Liability	X	X	
Aircraft Physical Damage			
Animal			
Automobile Liability	X	X	05/05/1980
Automobile Physical Damage	X	X	05/05/1980
Boiler and Machinery	10/31/1986	X	10/31/1986
Burglary and Theft	X	X	05/05/1980
Commercial Multi-Peril	X	X	05/05/1980
Credit			
Farmowners Multi-Peril	X	X	05/05/1980
Fidelity	X	04/16/1997	04/16/1997
Fire	X	X	05/05/1980
General Liability	X	X	05/05/1980
Glass	X	X	05/05/1980
Homeowners Multi-Peril	X	X	05/05/1980
Inland Marine	X	X	05/05/1980
Miscellaneous Property	X	X	05/05/1980
Ocean Marine	X	X	
Surety	X	X	04/16/1997
Water Damage	X	X	
Workers' Compensation	X	X	X

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2019 for those lines of insurance included in this examination.\* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
<b>Selective Insurance Company of America</b>		
Commercial Automobile Liability	\$4,635,388	.76%
Commercial Automobile Physical Damage	\$1,809,085	.86%
Commercial Multiple Peril	\$1,177,119	.22%
<b>Selective Insurance Company of South Carolina</b>		
Homeowner	\$3,647,372	.15%
Private Passenger Automobile Liability	\$3,249,823	.10%
Private Passenger Automobile Physical Damage	\$2,436,467	.10%
<b>Selective Way Insurance Company</b>		
Commercial Automobile Liability	\$5,236,953	.85%
Commercial Automobile Physical Damage	\$2,441,123	1.17%
Commercial Multiple Peril	\$1,323,182	.25%

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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 companies' private passenger automobile, homeowner, commercial automobile, and commercial property and liability lines of business written in Virginia for the period beginning July 1, 2018 and ending June 30, 2019. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance<sup>1</sup>, statutory notices, agent/agency licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' 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 companies 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 companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

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

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<sup>1</sup> Policies reviewed under this category reflected the companies' current practices and, therefore, fell outside of the exam period.

### **STATISTICAL SUMMARY**

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

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

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

**Population  
Sample Requested**

AREA	SICA	SICSC	SWIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto</b>								
New Business		<u>788</u> 25		<u>788</u> 25	25	0	25	100%
Renewal Business		<u>2,939</u> 50		<u>2939</u> 50	50	0	49	98%
Co-Initiated Cancellations		<u>2</u> 2		<u>2</u> 2	2	0	1	50%
All Other Cancellations		<u>497</u> 20		<u>497</u> 20	20	0	3	15%
Nonrenewals <sup>1</sup>		<u>33</u> 10		<u>33</u> 10	9	0	0	0%
<b>Homeowner</b>								
New Business <sup>2</sup>		<u>850</u> 25		<u>850</u> 25	20	0	14	70%
Renewal Business <sup>3</sup>		<u>3862</u> 50		<u>3862</u> 50	41	0	25	61%
Co-Initiated Cancellations		<u>11</u> 11		<u>11</u> 11	11	0	2	18%
All Other Cancellations <sup>4</sup>		<u>478</u> 20		<u>478</u> 20	16	0	2	13%
Nonrenewals <sup>5</sup>		<u>33</u> 10		<u>33</u> 10	9	0	0	0%
<b>Claims</b>								
Auto <sup>6</sup>		<u>841</u> 94		<u>841</u> 94	92	0	59	64%
Property <sup>7</sup>		<u>69</u> 44		<u>69</u> 44	39	0	16	41%

Footnote <sup>1</sup> - One file was not reviewed, the nonrenewal was voided before notice was mailed to insured.
Footnote <sup>2</sup> - Five policies were not reviewed due to the policies being Condominium and Renters policies.
Footnote <sup>3</sup> - Nine policies were HO4 and HO6 policies, and therefore, not reviewed.
Footnote <sup>4</sup> - Four terminations were not reviewed due to the policies being Renters policies.
Footnote <sup>5</sup> - One termination was not reviewed, the nonrenewal never went into effect.
Footnote <sup>6</sup> - Two claims were not reviewed due to the insured filing through the adverse carrier.
Footnote <sup>7</sup> - Four claims were not reviewed due to being HO6 policies. One claim was not reviewed due to being an HO4 policy.



**Population  
Sample Requested**

AREA	SICA	SICSC	SWIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Commercial Auto</b>								
New Business <sup>1</sup>	<u>11</u> 11		<u>20</u> 11	<u>31</u> <b>22</b>	19	0	17	89%
Renewal Business <sup>2</sup>	<u>109</u> 10		<u>149</u> 15	<u>258</u> <b>25</b>	24	0	19	79%
All Cancellations	<u>7</u> 4		<u>12</u> 11	<u>19</u> <b>15</b>	15	0	9	60%
<b>Commercial P&amp;L</b>								
New Business <sup>3</sup>	<u>50</u> 28		<u>135</u> 35	<u>185</u> <b>63</b>	49	0	37	76%
Renewal Business <sup>4</sup>	<u>1304</u> 45		<u>823</u> 40	<u>2127</u> <b>85</b>	61	0	48	79%
All Cancellations	<u>1168</u> 56		<u>1124</u> 38	<u>2292</u> <b>94</b>	94	0	23	24%
<b>Claims</b>								
Commercial Auto <sup>5</sup>	<u>640</u> 42		<u>994</u> 62	<u>1634</u> <b>104</b>	103	0	39	38%
Commercial P&L <sup>6</sup>	<u>325</u> 18		<u>764</u> 40	<u>1089</u> <b>58</b>	56	0	11	20%

Footnote<sup>1</sup> - One file was not reviewed due to 17 vehicles being listed on the policy. Two files were canceled flat and not reviewed.

Footnote<sup>2</sup> - One file was a duplicate and was not reviewed.

Footnote<sup>3</sup> - Two files were duplicates and were not reviewed. One file was reviewed under Commercial Auto; therefore, it was not reviewed under Commercial Property. One file was outside the scope of the exam and was not reviewed. Ten files were not reviewed due to the sample being reduced.

Footnote<sup>4</sup> - 25 files were not reviewed due to the sample being reduced.

Footnote<sup>5</sup> - One file was a duplicate and was not reviewed.

Footnote<sup>6</sup> - Two files were not reviewed due to the claims being record only and the policy not needing to provide coverage.

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

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

### **RATING AND UNDERWRITING REVIEW**

#### **Automobile New Business Policies**

The examiners reviewed 25 new business policy files. During this review, the examiners found overcharges totaling \$106 and undercharges totaling \$1,418. The net amount that should be refunded to insureds is \$106 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring the points.
- (2) The examiners found 23 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.
- (3) The examiners found 77 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In 46 instances, the company failed to use the correct discounts and/or surcharges.
  - b. In 25 instances, the company failed to use the correct symbol and/or model year factor.
  - c. In five instances, the company failed to use the correct base and/or final rates.
  - d. In one instance, the company failed to use the filed UM rate.

**Automobile Renewal Business Policies**

The examiners reviewed 50 renewal business policy files. During this review, the examiners found overcharges totaling \$1,304 and undercharges totaling \$2,554. The net amount that should be refunded to insureds is \$1,304 plus six percent (6%) simple interest.

- (1) The examiners found 48 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.
- (2) The examiners found 119 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In 71 instances, the company failed to use the correct discounts and/or surcharges.
  - b. In five instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
  - c. In 35 instances, the company failed to use the correct symbol and/or model year factor.
  - d. In three instances, the company failed to use the correct territory.
  - e. In one instance, the company failed to use the correct base and/or final rates.
  - f. In one instance, the company failed to use the filed UM rates.
  - g. In one instance, the company failed to follow its filed rounding rule.
  - h. In two instances, the company failed to use its filed rate capping rule.
- (3) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three-year period or when requested by the insured.

**Homeowner New Business Policies**

The examiners reviewed 20 new business policy files. During this review, the examiners found overcharges totaling \$358 and undercharges totaling \$200. The net amount that should be refunded to insureds is \$358 plus six percent (6%) simple interest.

The examiners found 21 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 20 instances, the company failed to use the correct discounts and/or surcharges.
- b. In one instance, the company failed to use the correct construction type.

**Homeowner Renewal Business Policies**

The examiners reviewed 41 renewal business policy files. During this review, the examiners found overcharges totaling \$1,608 and undercharges totaling \$515. The net amount that should be refunded to insureds is \$1,608 plus six percent (6%) simple interest.

The examiners found 40 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 30 instances, the company failed to use the correct discounts and/or surcharges.
- b. In six instances, the company failed to use the correct base and/or final rates.
- c. In two instances, the company failed to use the correct public protection class.
- d. In one instance, the company failed to follow its filed rounding rule.
- e. In one instance, the company failed to use its filed rate capping rule.

**Commercial Automobile New Business Policies**

The examiners reviewed 19 new business policy files. During this review, the examiners found overcharges totaling \$3,515.00 and undercharges totaling \$2,591.70. The net amount that should be refunded to insureds is \$3,515.00 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide the complete policy file.
- (2) The examiners found eight violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.
- (3) The examiners found 45 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In three instances, the company failed to use the correct discounts and/or surcharges.
  - b. In three instances, the company failed to use the correct classification factors.
  - c. In four instances, the company failed to use the correct base and/or final rates.
  - d. In seven instances, the company failed to follow the minimum premium rule.
  - e. In 28 instances, the company failed to follow its filed rounding rule.

**Commercial Automobile Renewal Business Policies**

The examiners reviewed 24 renewal business policy files. During this review, the examiners found overcharges totaling \$382.93 and undercharges totaling \$416.01. The net amount that should be refunded to insureds is \$382.93 plus six percent (6%) simple interest.

- (1) The examiners found six violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.
- (2) The examiners found 54 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In one instance, the company failed to use the correct discounts and/or surcharges.
  - b. In three instances, the company failed to use the correct classification factors.
  - c. In one instance, the company failed to use the correct base and/or final rates.
  - d. In 14 instances, the company failed to follow the minimum premium rule.
  - e. In one instance, the company failed to document the Individual Risk Premium Modification (IRPM) characteristics used to determine the factor.
  - f. In 34 instances, the company failed to follow its filed rounding rule.

**Commercial Property and Liability New Business Policies**

The examiners reviewed 49 new business policy files. During this review, the examiners found overcharges totaling \$291 and undercharges totaling \$9,892. The net amount that should be refunded to insureds is \$291 plus six percent (6%) simple interest.

- (1) The examiners found 18 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy. The company failed to list all applicable forms on the declarations page.
- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide the complete policy file.
- (3) The examiners found 21 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.
- (4) The examiners found 67 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In six instances, the company failed to use the correct discounts and/or surcharges.
  - b. In 34 instances, the company failed to use the correct base and/or final rates.
  - c. In one instance, the company failed to use the correct deductible factor.
  - d. In seven instances, the company failed to follow the minimum premium rule.
  - e. In six instances, the company failed to use the correct construction type.
  - f. In four instances, the company failed to use the correct public protection class.
  - g. In one instance, the company failed to use the correct occupancy class.

- h. In one instance, the company failed to use the correct classification code.
- i. In one instance, the company failed to use the correct package modification factors.
- j. In one instance, the company used the incorrect interpolation factors.
- k. In one instance, the company failed to apply the IRPM factor documented in the file.
- l. In four instances, the company failed to follow its filed rounding rule.

### **Commercial Property and Liability Renewal Business Policies**

The examiners reviewed 61 renewal business policy files. During this review, the examiners found overcharges totaling \$1,039 and undercharges totaling \$2,460. The net amount that should be refunded to insureds is \$1,039 plus six percent (6%) simple interest.

- (1) The examiners found 24 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy.
  - a. In one instance, the company failed to include limits and deductibles on the declarations page.
  - b. In 22 instances, the company failed to list all applicable forms on the declarations page.
  - c. In one instance, the company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found 14 violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to its effective date.
- (3) The examiners found 27 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.



- (4) The examiners found 69 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to use the correct discounts and/or surcharges.
  - b. In one instance, the company failed to use the correct territory.
  - c. In 39 instances, the company failed to use the correct base and/or final rates.
  - d. In seven instances, the company failed to follow the minimum premium rule.
  - e. In four instances, the company failed to use the correct construction type.
  - f. In six instances, the company failed to use the correct public protection class.
  - g. In one instance, the company failed to use the correct package modification factors.
  - h. In two instances, the company failed to apply the IRPM factor documented in the file.
  - i. In five instances, the company failed to follow its filed rounding rule.
  - j. In one instance, the company failed to apply the schedule modification factor.
  - k. In two instances, the company failed to follow its filed rate capping rule.

**TERMINATION REVIEW**

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

**Company-Initiated Cancellations – Automobile Policies****NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed two automobile cancellations that were initiated by the companies where the notice was mailed on or after the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

**Other Law Violations**

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

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

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

The examiners reviewed ten automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$25.00 and undercharges totaling \$4.10. The net amount that should be refunded to insureds is \$25.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company failed to file all applicable fees with the Bureau prior to use. The company charged a return check fee that was not on file with the Bureau.

- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

REQUESTED BY THE INSURED

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

The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to abide by the policy provision that requires the insured to request cancellation in advance of the cancellation effective date.

**Company-Initiated Nonrenewals – Automobile Policies**

The examiners reviewed nine automobile nonrenewals that were initiated by the companies.

The examiners found no violations in this area.

**Company-Initiated Cancellations – Homeowner Policies**

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

The examiners reviewed ten homeowner cancellations that were initiated by the companies 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.

The examiners found one violation of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

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

In addition, the examiners reviewed one homeowner cancellation that was initiated by the companies where the notice was mailed on or after the 90<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 § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (2) The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company cancelled a policy insuring an owner-occupied dwelling after the 89<sup>th</sup> day of coverage for a reason not permitted by the statute.

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

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

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The examiners reviewed eight 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 one violation of § 38.2-2114 E of the Code of Virginia. The company failed to obtain a written request to cancel a policy insuring an owner-occupied dwelling.

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

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

The examiners reviewed nine homeowner nonrenewals that were initiated by the companies.

The examiners found no violations in this area.

### **Commercial Automobile Policies**

The examiners reviewed 15 commercial automobile policy cancellations from the companies. During this review, the examiners found no overcharges and undercharges totaling \$122.42.

- (1) The examiners found three violations of § 38.2-231 A of the Code of Virginia. The company failed to advise the insured of the availability of other insurance.
- (2) The examiners found one violation of § 38.2-231 J of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (3) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (4) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

**Commercial Property and Liability Policies**

The examiners reviewed 94 commercial property and liability policy cancellations from the companies. During this review, the examiners found overcharges totaling \$138.29 and undercharges totaling \$310.22. The net amount that should be refunded to insureds is \$138.29 plus six percent (6%) simple interest.

- (1) The examiners found four violations of § 38.2-231 J of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (2) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company applied fees that were not applicable to the policy.
- (3) The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (4) The examiners found 17 occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In two instances, the company failed to use the cancellation date requested by the insured.
  - b. In 15 instances, the company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

**CLAIMS****Private Passenger Automobile Claims**

The examiners reviewed 92 automobile claims for the period of July 1, 2018 through June 30, 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 \$225.00 and underpayments totaling \$46,012.09. The net amount that should be paid to claimants is \$46,012.09 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found 11 violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages or provisions of an insurance policy to the insured.
  - a. In one instance, the company failed to disclose the physical damage deductible when the file indicated that the coverage was applicable to the loss.
  - b. In two instances, the company failed to disclose the MEB coverage when the file indicated the coverage was applicable to the loss.
  - c. In seven instances, the company failed to disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
  - d. In one instance, the company failed to disclose the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM)

when the file indicated the coverage was applicable to the loss.

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

- (3) The examiners found one violation of 14 VAC 5-400-40 E. The company made a partial claim payment under a release document that contained language that purported to release the insurer or its insured from total liability.
- (4) The examiners found one violation of 14 VAC 5-400-50 A. The company failed, upon receiving notification of a claim, to acknowledge the claim within 15 calendar days.
- (5) The examiners found two violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (6) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (7) The examiners found 20 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In six instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
  - b. In ten instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first party total loss settlement.
  - c. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses



coverage.

- d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Collision or Other than Collision coverage.
- e. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Additional Benefits coverage.

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

- (8) The examiners found 19 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
  - a. In 15 instances, the company failed to provide a copy of the repair estimate to the insured.
  - b. In four instances, the company failed to provide a copy of the repair estimate to the claimant.

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

- (9) The examiners found three violations of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement/payment was issued to the claimant's attorney/representative.
- (10) The examiners found one violation of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.

- (11) The examiners found 20 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.

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

- (12) The examiners found four 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.

- (13) 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.

- (14) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.

- (15) The examiners found one violation of § 38.2-2206 A of the Code of Virginia. The company applied an UMPD deductible when no deductible applied to the loss.

- (16) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance policy.

- a. In one instance, the company failed to include the lienholder on the check.
- b. In two instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
- c. In five instances, the company failed to pay an UM claim properly.

#### Other Law Violations

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

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

### **Homeowner Claims**

The examiners reviewed 39 homeowner claims for the period of July 1, 2018 through June 30, 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 no overpayments and no underpayments.

- (1) The examiners found two violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found six 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 inform the insured of the benefits under the Additional Living Expense (ALE) coverage of the policy.
  - b. In two instances, the company failed to inform the insured of the replacement cost benefits under the dwelling coverage of the policy.
  - c. In two instances, the company failed to inform the insured of the replacement cost benefits under the personal property coverage of the policy.

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

- (3) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found one violation 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.
- (5) The examiners found 12 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to 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.

### **Commercial Automobile Claims**

The examiners reviewed 103 commercial automobile claims for the period of July 1, 2018 through June 30, 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 no overpayments and underpayments totaling \$5,047.40. The net amount that should be paid to claimants is \$5,047.40 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found six violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.

- a. In one instance, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
  - b. In five instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the UMPD coverage and/or UIM coverage when the file indicated the coverage applied to the loss.
- (3) The examiners found one violation of 14 VAC 5-400-40 E. The company made a partial claim payment under a release document that contained language that purported to release the insurer or its insured from total liability.
- (4) The examiners found one violation of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
- (5) The examiners found 14 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
- a. In six instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
  - b. In seven instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.
  - c. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's MEB coverage.

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

- practice.
- (6) The examiners found ten violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In seven instances, the company failed to provide a copy of the repair estimate to the insured.
  - b. In three instances, the company failed to provide a copy of the repair estimate to the claimant.

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

- (7) The examiners found two violations of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.
- (8) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (9) The examiners found one violation of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (10) The examiners found five violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- a. In one instance, the company unreasonably delayed the settlement of a claim.
  - b. In one instance, the company failed to reimburse the claimant for the cost

of renting a comparable substitute vehicle.

- c. In three instances, the company failed to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear by failing to pay the claimant the proper sales and use tax, title fee, and/or license transfer fee.
- (11) The examiners found one violation of § 38.2-2201 D of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.
- (12) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In four instances, the company failed to pay an UM claim properly.
  - b. 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 fraud statement on claim forms required by the company as a condition of payment.

#### **Commercial Property and Liability Claims**

The examiners reviewed 56 commercial property and liability claims for the period July 1, 2018 through June 30, 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 no overpayments and underpayments totaling \$536.66. The net amount that should be paid to claimants is \$536.66 plus six percent (6%) simple interest.

- (1) The examiners found two violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found three violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (3) The examiners found one violation of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement/payment was issued to the claimant's attorney/representative.
- (4) The examiners found one violation of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.
- (5) The examiners found seven violations of § 38.2-510 A 1 of the Code of Virginia.
  - a. In three instances, the company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.
  - b. In four instances, 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.

- (6) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy or applicable law for the denial of a claim or offer of a compromise settlement.



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 fraud statement on claim forms required by the company as a condition of payment.

**FORMS REVIEW**

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

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

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

The companies provided copies of 41 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

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

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Homeowner Policy Forms**

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 91 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Automobile Policy Forms**

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 273 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Property and Liability Policy Forms**

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 534 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found four violations of § 38.2-317 A of the Code of Virginia. The company used forms that were not filed with the Bureau at least 30 days prior to use.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Package Policies Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 546 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found 17 violations of § 38.2-317 A of the Code of Virginia. The company used forms that were not filed with the Bureau at least 30 days prior to use.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**POLICY ISSUANCE PROCESS REVIEW**

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

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

**Automobile Policies**

The companies provided three new business policies mailed/sent on July 24, 2019. In addition, the companies provided three renewal business policies mailed/sent on July 24, 2019.

**NEW BUSINESS POLICIES**

The examiners found no violations in this area.

**RENEWAL BUSINESS POLICIES**

The examiners found no violations in this area.

**Homeowner Policies**

The companies provided three new business policies mailed/sent on the following dates: July 23 and 30, 2019. In addition, the companies provided three renewal business policies mailed/sent on July 23, 2019.

**NEW BUSINESS POLICIES**

The examiners found one violation of § 38.2-2120 of the Code of Virginia. The company failed to offer the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains.

**RENEWAL BUSINESS POLICIES**

The examiners found no violations in this area.

**Commercial Automobile Policies**

The companies provided four new business policies mailed/sent on the following dates: August 7, 14, 20, and 22, 2019. In addition, the companies provided six renewal business policies mailed/sent on the following dates: July 18, 25, and 30, and August 9, 2019.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

- (1) The examiners found four violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute.
  - a. In two instances, the company failed to state the effective date on the declarations page.
  - b. In two instances, the company failed to attach all forms applicable to the policy.
- (2) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.

**Commercial Property and Liability Policies**

The companies provided six new business policies mailed/sent on the following dates: July 8, 24, 25, and 30, and August 8, 2019. In addition, the companies provided six renewal business policies mailed/sent on July 25, 2019.

NEW BUSINESS POLICIES

- (1) The examiners found one violation of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute.  
The company failed to state the effective date on the declarations page.
- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination.

RENEWAL BUSINESS POLICIES

- (1) The examiners found two violations of § 38.2-305 A of the Code of Virginia. The

- company failed to specify in the policy all of the information required by the statute.
- The company failed to state the effective date on the declarations page.
- (2) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.
- (3) The examiners found two violations of § 38.2-2124 of the Code of Virginia. The company failed to provide the Ordinance and Law notice to the insured.
- (4) The examiners found two violations of § 38.2-2125 of the Code of Virginia. The company failed to provide the Flood Exclusion notice to the insured.

#### **STATUTORY NOTICES REVIEW**

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

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

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

**General Statutory Notices**

- (1) The examiners found two violations of § 38.2-604 C of the Code of Virginia.
  - a. In one instance, the company's short form Notice of Information Collection and Disclosure Practices did not include all of the information required by the statute.
  - b. In one instance, the company failed to have available for use the short form Notice of Information Collection and Disclosure Practices.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not contain substantially similar language as that of the prototype set forth in Administrative Letter 2015-07.

**Statutory Vehicle Notices**

- (1) The examiners found two violations of § 38.2-1905 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Accident Point Surcharge notice.
- (2) The examiners found two violations of § 38.2-1906.1 of the Code of Virginia. The company failed to have available for use the Misquote of Premium notice.
- (3) The examiners found one violation of § 38.2-2202 A of the Code of Virginia. The company's MEB Limits notice was not in the precise wording as required by the statute.
- (4) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The UM Limits notice was not in the precise wording as required by the statute.
- (5) The examiners found one violation of § 38.2-2234 A 1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.

**Statutory Property Notices**

- (1) The examiners found two violations of § 38.2-2118 of the Code of Virginia. The company's Replacement Cost Provisions notice did not comply with the requirements of the statute.
- (2) The examiners found one violation of § 38.2-2125 of the Code of Virginia. The company failed to include all of the information required by the statute in its Flood Exclusion notice.
- (3) The examiners found two violations of § 38.2-2126 A 1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.

**Other Notices**

The companies provided copies of 34 other notices including applications that were used during the examination period.

The examiners found no violations in this area.

**LICENSING AND APPOINTMENT REVIEW**

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

**Agency**

- (1) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The



- company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide a copy of the application.
- (2) The examiners found two violations of § 38.2-1822 A of the Code of Virginia. The company permitted an entity to act as an agency without first obtaining a license from the Commonwealth of Virginia.
- (3) The examiners found two violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

### **Agent**

- (1) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide a copy of the application.
- (2) The examiners found seven violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

### **COMPLAINT-HANDLING PROCESS REVIEW**

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

The examiners found two violations of § 38.2-511 of the Code of Virginia. The company failed to maintain a complete complaint register in compliance with this statute.

### **PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW**

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

The companies provided their written information security procedures.

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

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

### **General**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

### **Rating and Underwriting Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharges as of the date the error first occurred.
- (2) Include six percent (6%) interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges

- listed in the file.
- (4) Specify required information in the policy accurately. Particular attention should be focused on forms, coverage limits, and deductibles shown on the declarations page.
  - (5) Provide convenient access to files, documents, and records relating to the examination.
  - (6) File all forms with the Bureau at least 30 days prior to use.
  - (7) File all rates and supplementary rate information with the Bureau.
  - (8) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts and surcharges, application of points for accidents and convictions, symbols, base and/or final rates, IRPM factors, UM rates, classification factors, territory, rounding rules, rate capping, construction type, minimum premium rules, public protection class, and package modification factors.

### **Termination Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge they have refunded or credited the

- overcharges listed in the file.
- (4) Advise the insured of the availability of other insurance.
  - (5) Cancel homeowner policies after the 89<sup>th</sup> day of coverage for reasons permitted by the statute.
  - (6) Obtain and retain valid proof of mailing the cancellation notice to the insured.
  - (7) Calculate earned premium according to the filed rules, rates, and policy provisions.

### **Claims Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount refunded to the insureds.
- (3) Complete and submit to the Bureau the attached file titled "Claim Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge they have paid the underpayments listed in the file.
- (4) Document the claim file that all applicable coverages have been disclosed to the insured. Particular attention should be given to deductibles, rental benefits under UMPD, Personal Property coverage, MEB coverage, Transportation Expense coverage, ALE coverage, and replacement cost benefits under Dwelling and Personal Property coverages.
- (5) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (6) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.

- (7) Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.

### **Forms Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) File all property forms with the Bureau prior to use.
- (2) Have available for use the mandatory standard auto forms adopted by the Bureau.

### **Policy Issuance Process Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Specify accurate information in the policy by attaching all applicable forms and state the effective date on the declarations page.
- (2) Provide the insured the Important Information Regarding Your Insurance notice with all new and renewal policies.
- (3) Provide the Ordinance or Law notice as required by the Code of Virginia.
- (4) Provide the Flood Exclusion notice as required by the Code of Virginia.

**Statutory Notices Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (2) Have available for use the short form Notice of Information Collection and Disclosure Practices.
- (3) Amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.
- (4) Amend the Accident Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.
- (5) Have available for use the Misquote of Premium notice to comply with § 38.2-1906.1 of the Code of Virginia.
- (6) Amend the Replacement Cost Provisions notice to comply with § 38.2-2118 of the Code of Virginia.
- (7) Amend the Flood Exclusion notice to comply with § 38.2-2125 of the Code of Virginia.
- (8) Amend the Insurance Credit Score Disclosure notice to comply with §§ 38.2-2126 A 1 and 38.2-2234 A 1 of the Code of Virginia.
- (9) Amend the MEB Limits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (10) Amend the UM Limits notice to comply with § 38.2-2202 B of the Code of Virginia.

### **Licensing and Appointment Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Provide convenient access to files, documents, and records relating to the examination.
- (2) Appoint agents and agencies within 30 days of the application.
- (3) Accept business only from agencies that are licensed in the Commonwealth of Virginia.

### **Complaint-Handling Process Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

### **PART THREE – RECOMMENDATIONS**

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

#### **RECOMMENDATIONS**

We recommend that the companies take the following actions:

#### **Rating and Underwriting**

- Withdraw the Underwriting Score Development rate page filed under SELC-127172385 with the Bureau.
- List only forms and endorsements that are applicable on the declarations page.
- Revise the Computation Instructions Rule 301 A to specify how the company rounds premium.
- Remove the instructions regarding the Base Premium by Peril and Policy Base Premium calculations.
- Revise the Additional Coverages rule 301 C to properly indicate which factors apply to all Additional Coverages.
- Revise the Earthquake 505 rules to clarify the two BCEG instructions provided under items E and G.
- Revise rate page HH-2 to specify the factors are based on the Age of the Primary Named Insured.
- File a rule that Coverage A dwelling limit increases are rounded to the nearest \$500 when initiated by the company at renewal.
- Withdraw the 2000VA Loss Cost Multiplier rule page.

#### **Termination**

- Obtain advance notice of cancellation from the insured.
- Use the cancellation date requested by the insured if the request has been made in advance.



- Submit a filing to the Bureau to amend the company's filed form(s) and/or rules to address how to handle cancellations requested by the insured more than 30 days after the desired cancellation effective date.
- Allow policies to expire in lieu of extending coverage without consideration.

### **Claims**

- Properly document claim files so all events and dates pertinent to the claim can be reconstructed.
- Obtain a valid AOB before making MEB payments to a medical provider.
- Remove the wording "Full and Final" from checks where the company has not confirmed the possibility of supplemental payments.
- Acknowledge claims, in writing, within 15 calendar days upon receiving notification of a claim.
- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 15 calendar days of receipt.
- Provide reasonable assistance to an insured in the management of a claim.
- Make all claim denials in writing and keep a copy in the claim file.
- Provide a reasonable explanation for the basis of a claim denial.
- Notify the claimant within five business days when a settlement check of \$5,000 or greater is sent to the claimant's attorney or representative.
- Confirm the Notice of Settlement sent to the claimant complies with the statute.
- Only communicate with a represented claimant with the written consent of the claimant's attorney or representative.
- Adopt and implement reasonable standards for the prompt investigation and settlement of claims.
- Waive the UM deductible when no deductible applies to the loss.
- Include the lienholder on checks where applicable.
- Pay no more than an insured is entitled to receive under the terms of the policy.
- Make claim payments under the correct coverage.

**Forms**

- Correct the typographical errors identified on the forms during the examination.

**Policy Issuance Process**

- Only list forms on the declarations page in the section titled “Forms List.”
- The policy forms listed on the declarations page should be updated to remove the internal “A” identifier at the end of the form name, if the attached form number does not include this information.

**Statutory Notices**

- Add the Bureau’s local and Virginia only toll-free number to the Important Information Regarding Your Insurance notice.
- Change the word “comprehensive” with “other than collision” on the offer of rental reimbursement coverage notice.
- Amend the Statement of No Losses/Application For Reinstatement or Renewal Without Lapse notice to include the Fraud language as required by § 52-40 B of the Code of Virginia.

**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

The Bureau conducted one prior market conduct examination of Selective Insurance Company of America and Selective Way Insurance Company. During the prior examination as of September 30, 1996, the companies violated: 38.2-231, 38.2-304, 38.2-305, 38.2-510 A 10, 38.2-1906 B. 38.2-2014, and 38.2-2114 of the Code of Virginia; as well as 14 VAC 5-390-40, 14 VAC 5-400-30, and 14 VAC 5-400-70 A of the Virginia Administrative Code.

**ACKNOWLEDGEMENT**

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

Sincerely,

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

Senior Insurance Market Examiner

# COMMONWEALTH OF VIRGINIA



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

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October 28, 2020

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC# 12572  
Selective Insurance Company of South Carolina, NAIC# 19259  
Selective Way Insurance Company, NAIC# 26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above-referenced companies for the period of July 1, 2018 – June 30, 2019. The preliminary examination report (Report) has been drafted for the companies' review.

Attached with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn, or revised since August 11, 2020. 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 companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

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

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

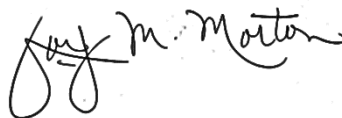
Finally, we have attached an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by December 4, 2020.

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

We look forward to your reply by December 4, 2020.

Sincerely,

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

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540 (Office)  
(804) 396-8380 (Cell)  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Attachments



Mattia Scharfstein  
AVP, Regulatory Compliance  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, New Jersey 07890  
Tel: (973) 948-1279  
Email: [mattia.scharfstein@selective.com](mailto:mattia.scharfstein@selective.com)

December 15, 2020

**SENT VIA E-MAIL**

Ms. Melody Morrissette  
Examiner in Charge  
Senior Insurance Market Examiner  
Property & Casualty Division  
Virginia Bureau of Insurance  
1300 E. Main Street  
Richmond, VA 23219  
[melody.morrissette@scc.virginia.gov](mailto:melody.morrissette@scc.virginia.gov)

**RE: Market Conduct Examination  
Selective Insurance Company of America  
Selective Insurance Company of South Carolina  
Selective Way Insurance Company  
Preliminary Report Response**

Dear Ms. Morrissette:

Enclosed please find a copy of the Companies' Response to the Preliminary Examination Report (Report) issued by the Bureau of Insurance (Bureau) on October 28, 2020.

As requested, our Response includes:

- Part 1: Written responses to the Examiners' observation.
- Part 2: The Companies' Corrective Action Plan.
- Part 3: Written responses to the Examiners' recommendations.
- Documentation supporting our position and responses. Please note that documents with PII are submitted via the secure portal. Information that does not include PII is included with our Response.
- Restitution Spreadsheet. The details on the rating and terminations overcharges and claims underpayments identified by the Bureau have been submitted via the secure portal.

If you have any questions on our Response to the Report, please contact me directly. We look forward to receiving your response.

Sincerely,

*Mattia Scharfstein*  
Mattia Scharfstein

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

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

### **RATING AND UNDERWRITING REVIEW**

#### **Automobile New Business Policies**

The examiners reviewed 19 new business policy files. During this review, the examiners found overcharges totaling \$146 and undercharges totaling \$1,331. The net amount that should be refunded to insureds is \$146 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company’s declarations page listed Towing and Labor coverage as applicable when the coverage did not apply.

**Company Response: As we self-discovered and self-corrected this error before this examination began for all policies issued after April 10, 2019, we respectfully request that this violation be removed from the Report.**

- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring the points.
- (3) The examiners found 23 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.
- (4) The examiners found 77 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 46 instances, the company failed to use the correct discounts and/or surcharges.

**Company Response: We respectfully disagree with 2 violations noted in review sheet R&UNBPPA-1742027351. The discounts were appropriately applied, and the information on which the discounts were applied was accurate on the day the policies were issued. Unfortunately, the original supporting documentation we submitted to the Bureau contained the print date the information was generated for the examiners' review.**

- b. In 25 instances, the company failed to use the correct symbol and/or model year factor.
- c. In five instances, the company failed to use the correct base and/or final rates.
- d. In one instance, the company failed to use the filed Uninsured Motorist (UM) rate.

#### **Automobile Renewal Business Policies**

The examiners reviewed 50 renewal business policy files. During this review, the examiners found overcharges totaling \$1,357 and undercharges totaling \$2,366. The net amount that should be refunded to insureds is \$1,357 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy. The company failed to include all applicable premium/fees on the declarations page.

**Company Response: Upon further review, we disagree with review sheet R&URBPPA-653827155. When this policy was issued the mailing address in Danville VA 24540 had a different street address than the location address, which was also in Danville VA 24541 but in a different zip code. All vehicles were garaged at the location address in Danville VA 24541. For the 2018-2019 renewal declaration the territory associated with the location zip code of 24541 was printed on the declarations page. None of the vehicles had an Alternate Garaging address, they were all garaged at the location address, so a separate address did not print on the declarations page. Prior to this exam a change was**



made to display the garaging zip code instead of the territory code associated with the zip code. If one of the vehicles actually had an Alternate Garaging address that was not the same as the location address then that garaging address would have displayed on the declarations page.

- (2) The examiners found 48 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.
- (3) The examiners found 120 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In 71 instances, the company failed to use the correct discounts and/or surcharges.

**Company Response: We respectfully disagree with the finding in review sheet R&URBPPA-235092066 that our policy file did not include sufficient documentation to support the Driver Training Discount. The insured's valid driver's license was confirmed through the MVR records. In Virginia, the DMV cannot issue a license to a driver under the age of 18 without sufficient proof of completion of a state approved driver education program. Accordingly, the Driver Training Discount appropriately applied. Our Classification Rule 16.4 #3 specifies the criteria the DMV uses to issue licenses as a point of reference for these facts, and we have submitted a copy of the rule to the Bureau.**

- b. In five instances, the company failed to apply the correct surcharge points for accidents and/or convictions.

**Company Response: We respectfully disagree with the 3 violations on review sheet R&URBPPA-1823515065, and we submitted documentation supporting our position to the Bureau. The supporting documentation – the file labeled R&URBPPA-1823515065 [REDACTED] – includes a copy of the 6/27/2019 endorsement transaction activity, as well as the rating worksheet for each vehicle, confirming the SDIP charges were removed upon**

**endorsement with an effective date of 9/8/2018.**

- c. In 35 instances, the company failed to use the correct symbol and/or model year factor.
- d. In three instances, the company failed to use the correct territory.

**Company Response: We respectfully disagree with the 1 violation on review sheet R&URBPPA-130801901. The property was accurately rated based on its address the agent of record provided. The policy location address is listed as the city as “Charlottesville”, Zip Code 22903, within the county of “Charlottesville City.” This entry is found on page T-5, 19<sup>th</sup> row from the top, of our filed rate pages (filing id #SELC130573673).**

- e. In one instance, the company failed to use the correct base and/or final rates.
- f. In one instance, the company failed to use the filed UM rates.
- g. In one instance, the company failed to follow its filed rounding rule.
- h. In three instances, the company failed to use its filed rate capping rule.

**Company Response: We respectfully disagree with the 2 violations on review sheets R&URBPPA-1571663660 and R&URBPPA-1252029446, and we submitted documentation supporting our position to the Bureau. We also continue to respectfully disagree with 1 violation on review sheet R&URBPPA-564054835. Our policy administration system correctly calculated the capping factor by dividing the capped premium by the uncapped premium, as shown on the Rating Worksheet associated with the renewal transaction processed on 6/11/2018. The Previous Program Premium of \$2,247 is the renewal premium using the original and not the revised rates, accounting for risk profile changes such as insured's age, etc. Multiplying the \$2,247 by the -2.5% cap level  $((100-2.5)/100, \text{ or } 0.0975)$  produces a capped premium of \$2,190.83. The uncapped premium using the revised rates is \$1,863. The applied 1.1760 capping factor was calculated appropriately by dividing the capped premium (\$2,190.83) by the uncapped premium (\$1,863). A copy**

**of the Rating Worksheet has been submitted to the Bureau.**

- (4) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three-year period or when requested by the insured.

### **Homeowner New Business Policies**

The examiners reviewed 20 new business policy files. During this review, the examiners found overcharges totaling \$548 and undercharges totaling \$247. The net amount that should be refunded to insureds is \$548 plus six percent (6%) simple interest.

The examiners found 26 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 22 instances, the company failed to use the correct discounts and/or surcharges.

**Company Response: We respectfully request that the violations attributed to R&UNBHO-1416909852 be removed, as these violations were withdrawn by the Bureau on 11/25/19.**

- b. In one instance, the company failed to use the correct tier eligibility criteria.

**Company Response: We continue to disagree with review sheet R&UNBHO-576093259. We rated this policy appropriately when issued based upon the information known and provided at the time. During the quoting process, the prior carrier report is pulled. In Select PLUS, our personal lines policy administration system, the issuing agent is required to indicate a coverage lapse in response to a policy rating question. Select PLUS rates the policy according to those responses. At the time this quote was completed, the prior policy was still active and the agent appropriately did not indicate a "prior lapse" on the policy in Select PLUS.**

- c. In one instance, the company failed to use the correct base and/or final rates.

**Company Response: We respectfully disagree with review sheet R&UNBHO-723377129, and we have submitted additional information supporting our position to the Bureau.**

**This coverage was rated consistent with our rule and rate pages and based on the coverage selected on the ACORD application, which further specifies that the masonry veneer exclusion does not apply. As shown in our rate pages, if the exterior masonry veneer is covered, as noted in this application, the property is to be rated as Masonry.**

- d. In two instances, the company failed to use the correct construction type.

**Company Response: We continue to respectfully disagree with review sheet R&UNBHO-2081967592. We applied the appropriate BCEG, confirmed by the BCEG location report with the “address level match.” While the fire district is Dry Fork FD, specific to the PPC, the BCEG documentation provided indicates that the BCEG jurisdiction is Pittsylvania County. The responding fire district does not always match the BCEG jurisdiction name. Supporting documentation showing address level match for both the PPC and the BCEG is submitted to the Bureau.**

### **Homeowner Renewal Business Policies**

The examiners reviewed 50 renewal business policy files. During this review, the examiners found overcharges totaling \$1,748 and undercharges totaling \$591. The net amount that should be refunded to insureds is \$1,748 plus six percent (6%) simple interest.

The examiners found 47 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 30 instances, the company failed to use the correct discounts and/or surcharges.  
b. In eight instances, the company failed to use the correct base and/or final rates.  
c. In one instance, the company failed to use the correct construction type.

**Company Response: We continue to respectfully disagree with review sheet R&URBHO-1352869298. We applied the appropriate BCEG factors when rating this insured location. While the inspection report indicates Manassas VFD, the "address level match" indicates the BCEG jurisdiction as Prince William County with a BCEG level of 04, which is**

accurate for a home built in 1998. The policy file reflects Prince William Co FPSA for a PPC class of 03 accordingly. Supporting documentation has been submitted to the Bureau.

d. In three instances, the company failed to use the correct public protection class.

**Company Response:** We continue to respectfully disagree with 1 violation on review sheet R&URBHO-856394825. Our supporting documentation provided in our initial response identified Prince William FPSA with a PPC level 3 as the appropriate responding fire department through an ISO address level match. Supporting documentation has been submitted to the Bureau.

As we self-discovered and self-corrected the violation noted in review sheet R&URBHO-619118079 before this examination began, we respectfully request that the finding of this violation be removed.

e. In one instance, the company failed to follow its filed rounding rule.

f. In four instances, the company failed to use its filed rate capping rule.

**Company Response:** We respectfully disagree with the 4 violations attributed to the filed rate capping rule as follows:

- **R&URBHO-1572015967:** In reviewing the 6/2019 term, an endorsement transaction was processed on 5/11/2019 to reorder the insured's insurance score and add additional coverage, resulting in a premium reduction. The capping procedure is applied to the renewal premium not the endorsement premium. The insurance score used in rating the effective date endorsement processed on 5/15/2019 was a level 21, an improvement from the previous level 26, which is illustrated in the rating worksheet for both the renewal and the endorsement transaction, both of which are attached and show a tier change to 21 from 26 (row 3). The capping factor displays on the rating worksheet during the entire policy term related to the renewal premium but, consistent with our filed rule, does not apply to

**endorsement transactions.**

- **R&URBHO731582670: We believe your May response incorrectly references Rule 3P instead of Rule 301F. In determining the Previous Program Premium, Rule 301F requires that the prior rate to be used to account for changes in risk profile. This approach, applied to this policy's risk changes, such as the insured's age, resulted in a premium of \$703, which is the same as the renewal premium would have been without revised rates and \$179 less than the \$882 using the revised rates. Multiplying the \$703 premium by 1.10 (10% cap level) produces a capped premium of \$773.30. The 0.8768 capping factor was calculated by dividing the capped premium (\$773.30) by the uncapped premium (\$882).**
- **R&URBHO2950985 – In reviewing the 3/2019 term, an endorsement transaction was processed on 2/11/2019 to reorder the customer's insurance score. This endorsement resulted in a decrease in premium. In the effective date endorsement processed on 2/11/2019, the insurance score improved to a level 6 from a level 10, as illustrated in the rating worksheet for both the renewal and the endorsement transaction which are attached and show a tier change to 007 from 11 (row 3). The capping factor displays on the rating worksheet during the entire policy term for renewal premium, but it does not apply to endorsement transactions per the rule.**
- **R&URBHO-1272912344: We respectfully disagree and believe our earlier response may have been misinterpreted. While capping applies, there was no new rate revision to be capped when the policy renewal was processed on 2/27/2019. As a result, the prior and revised rate calculation were the same. Our rules state that "the overall policy premium for a policy renewed...will have its overall rate changes, apart from any risk profile changes, capped." The calculation of the capping factor considers the renewing risk profile at the prior**

rates compared to the current rates. Nothing in our rule indicates that, outside of renewal, we continue to evaluate changes in risk profile. Instead, the residual premium from the prior revision rolled off, subject to capping ceiling/floor filed at the time. The new roll-off capping factor is the .90 applied to the prior capping factor, which results in a release of the residual premium to the magnitude filed in the capping rule in effect at the time the renewal processed. It is not appropriate to simply apply .90 to the expiring term premium as this does not control for changes in risk profile of the new term, such as changes in age or loss history, etc. Applying .90 to the existing cap releases the appropriate amount of premium that was initially subject to the cap. Additionally, we disagree that endorsements subsequent to the renewal are subject to capping.

#### **Commercial Automobile New Business Policies**

The examiners reviewed 22 new business policy files. During this review, the examiners found overcharges totaling \$3,516.07 and undercharges totaling \$2,591.70. The net amount that should be refunded to insureds is \$3,516.07 plus six percent (6%) simple interest.

- (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 the complete policy file.

**Company Response: We disagree with 1 violation on review sheet R&UNBCA44646197, and we have submitted a copy of the signed application to the Bureau.**

- (2) The examiners found eight violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.
- (3) The examiners found 45 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In three instances, the company failed to use the correct discounts and/or surcharges.
- b. In three instances, the company failed to use the correct classification factors.
- c. In four instances, the company failed to use the correct base and/or final rates.
- d. In seven instances, the company failed to follow the minimum premium rule.
- e. In 28 instances, the company failed to follow its filed rounding rule.

### **Commercial Automobile Renewal Business Policies**

The examiners reviewed 26 renewal business policy files. During this review, the examiners found overcharges totaling \$382.93 and undercharges totaling \$416.01. The net amount that should be refunded to insureds is \$382.93 plus six percent (6%) simple interest.

Company Response: We never received review sheets R&URBCA194981042 and R&URBCA20769904103, and we need them for review before we can confirm or refute any overcharges or undercharges.

- (1) The examiners found seven violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.

Company Response: **We continue to respectfully disagree with 1 violation on review sheet R&URBCA1273242819. The policy effective date is 6/17/18, which does not fall within the above reference filing (SELC131637285). The applicable filing is SELC131131361, effective 1/1/2018. The LCM on the policy, 2.4350, is in the filing on the PC IRF for SICA, Liability. We respectfully request that the examiners reconsider the 3 violations in review sheets R&URBCA395885421, R&URBCA466722264 and R&URBCA1973997305. The LCM for UM (and MP) are considered within the Liability portion of the rating information supplied in SELC- R&URBCA131637285. The PC-IRF forms file show an LCM for the Liability coverages. Since UM is a type of liability**



**coverage, the Liability LCM is appropriately applied to the UM loss costs.**

(2) The examiners found 54 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In one instance, the company failed to use the correct discounts and/or surcharges.
- b. In three instances, the company failed to use the correct classification factors.
- c. In one instance, the company failed to use the correct base and/or final rates.

**Company Response: We continue to respectfully disagree with 1 violation on review sheet R&URBCA1484701734. The policy referenced contains liability loss cost factors of 1.932 and physical damage loss cost factors of 2.022. The filing referenced below, SELC131580569 effective 5/1/19, has Loss Cost Factors of 1.932 and 2.022 on the PC IRF pages for Liability and Physical Damage.**

- d. In 14 instances, the company failed to follow the minimum premium rule.
- e. In one instance, the company failed to document the Individual Risk Premium Modification (IRPM) characteristics used to determine the factor.
- f. In 34 instances, the company failed to follow its filed rounding rule.

### **Commercial Property and Liability New Business Policies**

The examiners reviewed 63 new business policy files. During this review, the examiners found overcharges totaling \$291 and undercharges totaling \$10,764. The net amount that should be refunded to insureds is \$291 plus six percent (6%) simple interest.

**Company Response: We continue to respectfully disagree with the following review sheets:**

- **R&UNBCPL179442813: Hired and Non-Owned Auto coverage is considered a liability coverage, and we applied the LCM of 1.293 in filing SELC131349464 on the PC IRF page for SWIC Business Owners, Coverage: Liability.**

- **R&UNBCPL-1572274486:** Our calculations are as follows:
  1. **Actual Building Limit is \$254,321, which calls for an interpolation of the LOI factors in the CW table (no Virginia exception to this table);**
  2. **Because the Actual Building Limit is between \$250,000, which has a LOI factor of 0.955 and \$275,000, which has a LOI factor of 0.921, an interpolation of the LOI factor for \$254,321 is required;**
  3. **The difference between the two nearest LOI factors is 0.34 (0.955 - 0.921). To obtain the appropriate LOI factor for the \$4,321 difference between the Actual Building Limit and the nearest LOI, which is \$250,000, we must divide 0.34 by 25 (representing the difference between the two LOI measuring values in thousands), which is 0.00136. We then must multiply the 0.0036 by \$4,321 (\$254,321 - \$250,000), which produces 0.00587656.**
  4. **To obtain the LOI factor for \$254,321, we must subtract the 0.00587656 from the \$250,000 LOI factor to get 0.949 (0.955 – 0.00587656, rounded to three digits), which is the LOI relativity factor applied in CLAS.**
- **R&UNBCPL33367322:** We previously uploaded a copy of the ISO BCEG Schedule, and we continue to disagree with this observation. In our CLAS policy issuance system, the insured property is listed as being built in 1990, which Prometrix confirmed as correct – so the building is too old to qualify for a BCEG discount.
- **R&UNBCPL464556978:** The 1.784 LCM for Hired and Non-Owned Auto is in filing SELC131349464 on the PC IRF page for SICA Business Owners, Coverage, Liability, as Hired and Non Owned, and is a liability coverage.

**We also never received review sheet R&UNBCPL890585384, which we need to review before we can confirm or refute any overcharges or undercharges.**

(1) The examiners found 18 violations of § 38.2-305 A of the Code of Virginia. The company

failed to specify accurate information in the policy. The company failed to list all applicable forms on the declarations page.

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

a. In one instance, the company failed to provide a copy of the application.

**Company Response: We continue to respectfully disagree with the violation on review sheet R&UNBCPL2109982689. We did not initially provide the signed application, but it is now included as supporting documentation that we submitted to the Bureau.**

b. In one instance, the company failed to provide the complete policy file.

**Company Response: We respectfully continue to disagree with review sheet R&UNBCPL158186431, and we have submitted the underwriting notes requested by the Examiners to the Bureau.**

(3) The examiners found 21 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.

**Company Response: We continue to disagree with 3 violations:**

- **R&UNBCPL464556978: The 1.784 LCM for Hired and Non-Owned Auto is filed in SELC131349464 on the PC IRF page for SICA Business Owners, Coverage, Liability, since Hired and Non Owned is a liability coverage.**
- **R&UNBCPL846931207 and R&UNBCPL748266127: Hired and Non-Owned Auto is a liability coverage in the rating methodology, and the 1.293 LCM is filed in SELC131349464 on the PC IRF page for SWIC Business Owners, Coverage: Liability.**

(4) The examiners found 73 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In seven instances, the company failed to use the correct discounts and/or surcharges.

**Company Response: We continue to respectfully disagree with 1 violation on review sheet R&UNBCPL1602727659, and we have submitted additional documentation supporting our application of the Loss Free Discount to the Bureau.**

- b. In 34 instances, the company failed to use the correct base and/or final rates.

**Company Response: We continue to disagree with 1 violation on review sheet R&UNBCPL1994843112. We used specific rates from Verisk/ProMetrix to rate class code 1213: BGI loss cost 0.066 (spec rated). A copy of the ISO Loss Costs report has been submitted to the Bureau.**

- c. In one instance, the company failed to use the correct deductible factor.
- d. In seven instances, the company failed to follow the minimum premium rule.
- e. In nine instances, the company failed to use the correct construction type.

**Company Response: We continue to disagree with 4 violations on following review sheets:**

- **R&UNBCPL33367322: In CLAS, the property year built is entered as 1990, which Prometrix confirmed. The insured building is too old to qualify for a BCEG discount, and we submitted a copy of the ISO BCEG Schedule to the Bureau.**
- **R&UNBCPL999816681: In CLAS, the property's year built is entered as 1974, which Prometrix confirmed. The insured building is too old to qualify for a BCEG discount, and we submitted a copy of the ISO BCEG Schedule to the Bureau.**
- **R&UNBCPL1089823572: Both the signed application and our CLAS system indicate Masonry Non-Combustible as the construction type. Our filed BCEG table factors are drawn from the (1) rating territory, which is documented in our CLAS system as Territory 006, and (2) the community grade, which is assigned in the Community Mitigation Classification Manual (CMC) for Virginia Beach. While**

**not captured in the BOP rating worksheet, a copy of the signed application and screen shots of the CLAS front-end displaying BCEG grade based on city / county information for the insured location have been submitted to the Bureau.**

f. In five instances, the company failed to use the correct public protection class.

**Company Response: We continue to respectfully disagree with 1 violation on review sheet R&UNBCPL1588883370. ISO assigned a Single Community Public Protection Class of 02 to the insured location. Our CLAS system shows that PPC 02 was correctly assigned to this location. We have submitted a copy of the ISO report to the Bureau.**

g. In one instance, the company failed to use the correct occupancy class.

h. In one instance, the company failed to use the correct classification code.

i. In one instance, the company failed to use the correct package modification factors.

j. In two instances, the company used the incorrect interpolation factors.

**Company Response: We continue to respectfully disagree with the following review sheets:**

- **R&UNBCPL1571852620 - We disagree with the Bureau's observation, as detailed in the below calculation, which the Bureau has previously acknowledged was correct:**
  - **Actual BPP limit of insurance is \$125,000, which calls for an interpolation of the LOI factors available in the CW table (no Virginia exception to this table);**
  - **The LOI factor for \$120,000 is 0.702 and the factor for \$130,000 is 0.677; and the difference in thousands between \$120,000 and \$130,000 is 10;**
  - **$0.702 - 0.677 = 0.025/10 = 0.0025$**
  - **The difference in thousands between \$125,000 and \$120,000 is 5**

- $0.0025 \times 5.000 = 0.0125$
- $0.702 - 0.0125 = 0.6895$  rounded to **0.690** the LOI relativity factor applied in CLAS
- **R&UNBCPL1572274486 - We respectfully disagree with the Bureau's observations, as detailed in the following calculation:**
  - **Actual Building Limit of insurance is \$254,321 which calls for an interpolation of the LOI factors that are available in the CW table (no Virginia exception to this table)**
  - **The LOI factor for 250,000 is 0.955 and the factor for 275,000 is 0.921; the difference in thousands between \$250,000 and \$275,000 is 25**
  - $.955 - .921 = .034/25 = 0.00136$
  - **The difference in thousands between \$254,321 and \$250,000 is 4.321**
  - $.00136 * 4.321 = .00587656$
  - $.955 - .00587656 = .94912344$  rounded = **.949** the LOI relativity factor applied in CLAS
- k. In one instance, the company failed to apply the IRPM factor documented on file.
- l. In four instances, the company failed to follow its filed rounding rule.

### **Commercial Property and Liability Renewal Business Policies**

The examiners reviewed 85 renewal business policy files. During this review, the examiners found overcharges totaling \$1,039 and undercharges totaling \$2,460. The net amount that should be refunded to insureds is \$1,039 plus six percent (6%) simple interest.

**Company Response: We continue to respectfully disagree with the following review sheets:**

- **R&URBCPL-916970873: We respectfully disagree with the Bureau's observation.**  
The LCM for Hired and Non-Owned Auto, which is a liability coverage, is 1.784 and

**in filing SELC131349464 on the PC IRF page for SICA Business Owners,**

**Coverage: Liability**

- **R&URBCPL2145277778: We previously submitted to the Bureau a copy of the PPC report as supporting documentation that the PPC used in rating is correct. ISO assigned a single community PPC of 03 to the insured location, which is what was entered in our CLAS system.**
- (1) The examiners found 24 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy.
- a. In one instance, the company failed to include limits and deductibles on the declarations page.
  - b. In 22 instances, the company failed to list all applicable forms on the declarations page.
  - c. In one instance, the company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found 14 violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to its effective date.
- (3) The examiners found 27 violations of § 38.2-1906 A of the Code of Virginia. The company failed to file with the Commission all rates and supplementary rate information including fees.

**Company Response: We continue to respectfully disagree with 6 violations in the following review sheets:**

- **R&URBCPL 1572439007: SERFF filing SELC-131349464 contains the PC IRF with the LCMs on file. We submitted a copy of the PC IRF as supporting documentation to the Bureau.**
- **R&URBCPL1123453176: The 5.57 base loss cost is in filing SELC-131349464,**

**effective 9/1/2018. The 1.293 Loss Cost Multiplier is in the same filing on page 944 / 1424, as the Additional Insured coverage is a liability coverage. We submitted a complete copy of the filing as supporting documentation to the Bureau.**

- **R&URBCPL82818951: Filing SELC-131349464, at page 762 / 1494, shows the 1.10 factor as appropriate for buildings larger than 15,000 square feet. We have submitted this filing as supporting documentation to the Bureau.**
- **R&URBCPL916970873: Hired and Non-Owned Auto is considered a liability coverage and the LCM of 1.784 is in the filing SELC131349464 on the PC IRF page for SICA Business Owners, Coverage: Liability.**
- **R&URBCPL1372792602: For Systems PowerPac, we file and use rates, rules, and forms prepared for us by Hartford Steam Boiler (HSB). Using the HSB EB Rating Methodologies, the rating calculations for Class Code 1190 are as follows:**

**LCM 3.829**

**BGI – ISO rule 85.L.3.**

**Loss Cost .044 \* 3.829 = Base Rate .168**

**Property rate table 93**

**BGII – ISO Rule 70.E.2.a.**

**Loss cost .032 \* 3.829 = .1225 rounded up to .123 base rate**

**Property rate table 41**

**Special Cause of Loss – ISO rule 72.E.2.b.**

**Loss cost .024 \* 3.829 = .0918 rounded up to .092 base rate**

**Property rate table 36 (Bldg loss cost)**

- (4) The examiners found 70 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to use the correct discounts and/or surcharges.
  - b. In one instance, the company failed to use the correct territory.
  - c. In 40 instances, the company failed to use the correct base and/or final rates.



**Company Response: We continue to respectfully disagree with 1 violation on review sheet R&URBCPL300240412. Our CLAS BOP Location Optional coverage screen requires the covered event(s) to be entered. The underwriter entered one walk-a-thon and 4 dinners for a total of 5 single-day events. If an agent does not disclose the extent and scope of special events coverage, the underwriter typically calls the agent to secure the detail and record it appropriately. We submitted additional supporting documentation to the Bureau.**

- d. In seven instances, the company failed to follow the minimum premium rule.
- e. In four instances, the company failed to use the correct construction type.
- f. In six instances, the company failed to use the correct public protection class.
- g. In one instance, the company failed to use the correct package modification factors.
- h. In two instances, the company failed to apply the IRPM factor documented in the file.
- i. In five instances, the company failed to follow its filed rounding rule.
- j. In one instance, the company failed to apply the schedule modification factor.
- k. In two instances, the company failed to follow its filed rate capping rule.

### **TERMINATION REVIEW**

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

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

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

The examiners reviewed two automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60<sup>th</sup> day of coverage in the initial policy

period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

Other Law Violations

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

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

**Company Response: We continue to respectfully disagree with review sheet**

**TermOvr60PPA-2030094256. An FR-44 was filed automatically through electronic data interchange (EDI) directly with the Virginia Department of Motor Vehicles, and a copy was originally provided for the Examiners' review. Its labeling, however, was not clear, and we have re-submitted it as supporting documentation to the Bureau.**

**All Other Cancellations – Automobile Policies**

NONPAYMENT OF THE PREMIUM

The examiners reviewed ten automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$25 and undercharges totaling \$9.10. The net amount that should be refunded to insureds is \$25 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company failed to file all applicable fees with the Bureau prior to use. The company charged a return check fee that was not on file with the Bureau.

**Company Response: We respectfully disagree with the Bureau's observation. The assessment of a \$25 return check fee did not result in an overcharge and was not required to be filed under Va. Code Ann. §38.2-310. This statute requires fees, charges,**

premiums or other consideration to be filed or stated in the policy only if “charged for the insurance” or the “procurement of insurance.” Our return check fee is not a charge for the procurement, issuance, or maintenance of an insurance policy. The fee relates to a banking transaction related to the insured’s failure to maintain sufficient funds in an account designated for payment. Given our return check fee is a banking transaction, independent from insurance, this policy was not overcharged \$25 and the return check fee need not be filed or stated in the policy.

(2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

**Company Response: We continue to respectfully disagree with review sheet TermNPPA-1400076211, and we have submitted screen shots from the billing system detailing the earned premium calculation as supporting documentation to the Bureau.**

REQUESTED BY THE INSURED

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

The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

**Company Response: We continue to respectfully disagree with review sheet TermIRRPA-1761935149. The agent (i) provided an email in which the insured confirmed the date they replaced coverage effective 4/5/19 and (ii) processed the cancellation within 30 calendar days of the date of cancellation. The agency confirmed that the insured did**

**not respond to requests for a copy of the USAA declarations page as documentation.**

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

The examiners reviewed nine automobile nonrenewals that were initiated by the companies.

The examiners found no violations in this area.

### **Company-Initiated Cancellations – Homeowner Policies**

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

The examiners reviewed ten homeowner cancellations that were initiated by the companies 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.

The examiners found one violation of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

#### **Company Response:** We continue to respectfully disagree with review sheet

**TermOvr90HO-41936306. As previously indicated, we received a delivery verification for the Certified Mail tracking number assigned to the insured's notice. We previously submitted mailing verifications for that day that mistakenly included states other than Virginia with different mailing requirements. We have resubmitted the mailing verifications with the Virginia-only information as supporting documentation to the Bureau.**

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

In addition, the examiners reviewed one homeowner cancellation that was initiated by the companies where the companies mailed the notices on or after the 90<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 § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (2) The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company cancelled a policy insuring an owner-occupied dwelling after the 89<sup>th</sup> day of coverage for a reason not permitted by the statute.

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

#### NONPAYMENT OF THE PREMIUM

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

The examiners found no violations in this area.

#### REQUESTED BY THE INSURED

In addition, the examiners reviewed eight 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 one violation of § 38.2-2114 E of the Code of Virginia. The company failed to obtain a written request to cancel a policy insuring an owner-occupied dwelling.
- (2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to use the cancellation date requested by the insured.

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

The examiners reviewed nine homeowner nonrenewals that were initiated by the companies.

The examiners found no violations in this area.

**Commercial Automobile Policies**

The examiners reviewed 15 commercial automobile policy cancellations from the companies. During this review, the examiners found overcharges totaling \$324.96 and undercharges totaling \$122.42. The net amount that should be refunded to insureds is \$324.96 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-231 A of the Code of Virginia. The company failed to advise the insured of the availability of other insurance.
- (2) The examiners found one violation of § 38.2-231 J of the Code of Virginia. The company failed to retain proof of mailing the notice of cancellation to the insured.
- (3) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

**Company Response: We continue to respectfully disagree with review sheet**

**TermTermCA-2073024904. As previously indicated, the \$230.55 was not a payment. It was a net deduction the agent took for the unearned premium. We have submitted additional documentation supporting our position to the Bureau.**

- (4) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

**Company Response: We respectfully request that this violation be removed from the Report, as the item is included within the Bureau's recommendations below. We will reinforce to our underwriting staff and agency partners that our policy provisions require advance notice of cancellation, even at the insured's request. In circumstances where our insured provides proof of other insurance coverage, to not-adversely impact our insured, the Company will honor the insured's request within 30 days of the effective**

**date of cancellation. This accommodation provides flexibility to our insureds that have proper proof of replacement coverage. Without this process, our customers would potentially incur additional premiums billings and potentially be subject to collections for non-payment for the insurance the insured requested to cancel.**

### **Commercial Property and Liability Policies**

The examiners reviewed 94 commercial property and liability policy cancellations from the companies. During this review, the examiners found overcharges totaling \$138.29 and undercharges totaling \$314.78. The net amount that should be refunded to insureds is \$138.29 plus six percent (6%) simple interest.

- (1) The examiners found four violations of § 38.2-231 J of the Code of Virginia. The company failed to retain proof of mailing the notice of cancellation to the insured.
- (2) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company applied fees that were not applicable to the policy.
- (3) The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

**Company Response: We respectfully disagree with review sheet TermTermCPL-1350941271. The pro-rata calculation is appropriate, and we submitted a copy of the lost policy release showing the insured sold the property as documentation supporting our position to the Bureau.**

- (4) The examiners found 17 occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In two instances, the company failed to use the cancellation date requested by the insured.

**Company Response: We respectfully request that review sheet TermTermCPL-1282221445 be removed because it duplicates review sheet TermTermCPL-1309928050 cited above as a violation of § 38.2-1906 D.**

- b. In 15 instances, the company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

**Company Response: We respectfully request that this violation be removed from the Report, as the item is included within the Bureau's recommendations below. As noted above, our practice provides flexibility to our insureds that have proper proof of replacement coverage. Without this process, our customers would potentially incur additional premiums billings and potentially be subject to collections for non-payment for the insurance the insured requested to cancel.**

### **Private Passenger Automobile Claims**

The examiners reviewed 92 automobile claims for the period of July 1, 2018 through June 30, 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 \$225 and underpayments totaling \$15,288.40. The net amount that should be paid to claimants is \$15,288.40 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found nine violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages or provisions of an insurance policy to the insured.
  - a. In one instance, the company failed to disclose the physical damage deductible



when the file indicated that the coverage was applicable to the loss.

- b. In two instances, the company failed to disclose the Medical Expense Benefits (MEB) coverage when the file indicated the coverage was applicable to the loss.
- c. In five instances, the company failed to disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- d. In one instance, the company failed to disclose the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage was applicable to the loss.

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

- (3) The examiners found one violation of 14 VAC 5-400-40 E. The company released a claim payment under a coverage that contained language that purported to release the insurer or its insured from total liability.
- (4) The examiners found one violation of 14 VAC 5-400-50 A. The company failed, upon receiving notification of a claim, to acknowledge the claim within 15 calendar days.
- (5) The examiners found two violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (6) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (7) The examiners found 22 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In six instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.

- b. In ten instances, the company failed to pay the proper sales and use tax, title fee, and license fee on a first party total loss settlement.
- c. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.

**Company Response: We respectfully disagree with the 4 violations noted below, and have submitted documentation supporting our positions to the Bureau:**

- For review sheet ClaimVehPPA499601521, the claim file indicates that we advised the insured of transportation expense coverage. We did not establish a rental reservation because the insured did not advise us that their vehicle was ready for repairs. To allow for seamless coordination of a rental pick up, our procedure is to establish the rental reservation after the customer confirms the date that the vehicle will be dropped off at the repair shop.
- For review sheet ClaimVehPPA479359166, we have changed our position and now disagree with the examiners' findings. The claim file indicates that the insured was advised of transportation expense coverage but, because they had a second vehicle, chose not to utilize the coverage. We confirmed with the insured that this was their decision.
- For review sheet ClaimVehPPA1330016222, we have changed our position and now disagree with the examiners' findings. The insured was advised of transportation expense coverage, but the insured received a loaner vehicle from the repair facility and did not require a rental vehicle. We confirmed these facts with the insured.
- For review sheet ClaimVehPPA519722535, we respectfully disagree with the Bureau's observations. We advised the insured of the coverage and paid the full transportation expense reimbursement limit on this claim.

- **Regarding the restitution amount noted for CPA012, we believe the correct restitution amount for this claim is \$15.**
  - d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Collision or Other than Collision coverage.
  - e. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Additional Benefits coverage.

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

**Company Response: We respectfully disagree with the examiners' findings for review sheet ClaimVehPPA1570196881. The inception date for this policy was 12/5/2017. This was a complicated claim with a policyholder who signed an application stating that he had a 2012 Audi. The policyholder, however, had traded that vehicle for a 2017 model prior to policy inception and signing the application. After evaluating a complaint our policyholder made to the VABOI against us and his agent for these errors, we agreed to process an endorsement on 4/16/2020 with an effective date of 12/5/2017 that replaced the 2012 Audi with the 2017 Audi. Since the 2012 Audi was traded in for the 2017 Audi retroactive to policy inception, the appropriate premium was charged. With the policy changes, we provided coverage for the claim (Claim No. ██████████, Date of Loss 3/1/2019). We have submitted a copy of the policy change endorsement effective 12/5/2017 and a summary from the Claims Inquiry System labeled ClaimVehPPA1570196881 UW as documentation supporting our position to the Bureau.**

- (8) The examiners found 19 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- a. In 15 instances, the company failed to provide a copy of the repair estimate to the insured.

- b. In four instances, the company failed to provide a copy of the repair estimate to the claimant.

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

**Company Response: We respectfully disagree with the restitution amount noted for CPA029. Instead, we believe the correct restitution amount for this claim is \$3,890.**

- (9) The examiners found two violations of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement/payment was issued to the claimant's attorney/representative.

**Company Response: We have changed our position on this finding and now respectfully disagree with the examiners' findings in review sheet 1349148334. The claimant was the sole payee on the \$6,995 settlement check, and we mailed the check to the claimant – not to an attorney or other representative. With these facts, no additional letter to the claimant advising of the settlement payment was necessary or appropriate.**

- (10) The examiners found two violations of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.
- (11) The examiners found two violations of § 38.2-236 D of the Code of Virginia. The company communicated with an attorney-represented claimant without the written consent from the claimant's attorney.
- (12) The examiners found 20 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.

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

- (13) The examiners found four 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.

- (14) 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.
- (15) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.

**Company Response: We have changed our position on this finding related to review sheet 1988157686 and now respectfully disagree with the examiners' finding. After re-review, we found the claim file contained an assignment of benefits, so the payment directly to the medical provider was appropriate and restitution to the policyholder is not due or appropriate. The same is true for review sheet 2138952452. We believe that the appropriate restitution amount is \$3,890 – not \$4,029. On re-review, we found assignment of benefits for payments of over \$16,000, but we did not have assignments for the remaining payments totaling \$3,890.**

- (16) The examiners found one violation of § 38.2-2206 A of the Code of Virginia. The company applied an UMPD deductible when no deductible applied to the loss.
- (17) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company failed to include the lienholder on the check.
  - b. In two instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
  - c. In five instances, the company failed to pay an UM claim properly.

**Other Law Violations**

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

violation of other Virginia laws.

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

### **Homeowner Claims**

The examiners reviewed 39 homeowner claims for the period of July 1, 2018 through June 30, 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 \$81.48 and no underpayments.

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

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

**Company Response: We respectfully disagree with the 2 violations on review sheet**

**ClaimPropHO-1656196387:**

- **For observation 1, we disagree that the file fails to contain supporting documentation for the issued personal property check. The adjuster erred in coding the check to the appropriate coverage – not in documenting the file. The \$120.72 payment will be re-coded in our system as a Dwelling payment. The corrected Dwelling payment amount of \$1,516.25 is reflected in both the estimate and settlement letter and was the amount of the check issued on 5/14/2019.**
- **For observation 2, we disagree that the file fails to contain an estimate to support the supplemental payment of \$317.86:**
  - **The claims file contains an e-mail dated 6/3/2019 (noted Supplement Xactimate, email to the insured) that documents the revised estimate supporting a supplemental ACV payment (and depreciation in the amount**

of \$490.96, also detailed in the email).

- A subsequent e-mail from the insured's contractor (Servpro) on 7/23/2019 (noted Serv Pro request for final payment work complete) details the total amount incurred for the rebuild. That amount is less than the our revised estimate shared with the insured on 6/3/2019.
  - We subsequently released \$317.86 in depreciation based on the reduced amount the insured incurred for the rebuild as detailed in e-mail issued to the insured on 8/2/2019 (noted Final Payment e-mail to contractor and insured in CCM).
  - For ClaimPropHO-1515857348 Observation 2: We disagree with the Bureau's observation that the file fails to contain an estimate to support the supplemental payment of \$317.86. In CCM an e-mail is uploaded dated 6/3/2019 (noted Supplement Xactimate, email to the insured) that has attached the revised estimate to support a supplement ACV payment (and depreciation in the amount of \$490.96, which is also outlined in the body of the e-mail). Subsequently, an e-mail was received from the insured's contractor (Servpro) on 7/23/2019 (noted Serv Pro request for final payment work complete) outlining the total rebuild amount incurred. That amount is less than our revised estimate shared with the insured on 6/3 and subsequently, depreciation was release in the amount of \$317.86 based on the reduced amount incurred by the insured for the rebuild. This is also outlined in the body of the e-mail issued to the insured on 8/2/2019 (noted Final Payment e-mail to contractor and insured in CCM). ....
- (2) The examiners found six 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 inform the insured of the benefits under the Additional Living Expense (ALE) coverage of the policy.

- b. In two instances, the company failed to inform the insured of the replacement cost benefits under the dwelling coverage of the policy.
- c. In two instances, the company failed to inform the insured of the replacement cost benefits under the personal property coverage of the policy.

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

**Company Response: We continue to respectfully disagree with 2 violations for the following review sheets numbers:**

- **ClaimPropHO-1990073042 the Additional Living Expense (ALE) policy provision is not relevant to this claim. The damages were confined to the finished basement. During the adjuster's initial call on 7/23/18 the adjuster documented in the claim file that the Insured was advised of the claims process and that the insured advised that the house was livable. The policy reads "If a loss covered under this Section makes that part of the residence premises where you reside not fit to live in" relative to ALE benefits. There was no adverse impact to the insured and the coverage benefit does not apply.**

- **ClaimPropHO-917398071, while we do agree with the Bureau's observation that ALE policy provisions were not discussed with the Insured, it is our opinion it was not relevant to this claim. The damages were limited to carpet and baseboard on the second floor and the kitchen ceiling below. Based on the adjuster's inspection the home was not unfit to live in. The policy reads "If a loss covered under this Section makes that part of the residence premises where you reside not fit to live in". Relative to this claim, it was determined at the inspection that the house was livable with no detriment to the Insured. The claims process and next steps were discussed with the insured on site.**

- (3) The examiners found one violation of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.



- (4) The examiners found three 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.

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

**Company Response: We continue to respectfully disagree with the following 2 violations.**

- For review sheet number ClaimPropHO-144412930, we disagree with the Bureau's observation that the claim file failed to indicate that the Insured was provided with a copy of the property repair estimate. The adjuster noted the file on 7/29 "sent insd estimate and letter via email", however, the email was not uploaded to the claim file, and should have been.

- For review sheet number ClaimPropHO-67817780, we disagree with the Bureau's observation. The adjuster noted the file on 12/13/2018 when inquiring about the status of the mitigation estimate citing "Indicated they have a copy of the Xactimate" and confirming the contractor can do the repair.

- (5) The examiners found 12 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to 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.

- (6) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than he/she was entitled to receive under the terms of the policy.

**Company Response: We respectfully request that this finding be withdrawn, as we continue to disagree with the findings for review sheet ClaimPropHO-1602851229 and the examiners advised the findings would be withdrawn.**

**Commercial Automobile Claims**

The examiners reviewed 103 commercial automobile claims for the period of July 1, 2018 through June 30, 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 no overpayments and underpayments totaling \$25,685.40. The net amount that should be paid to claimants is \$25,685.40 plus six percent (6%) simple interest.

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

**Company Response: We respectfully request that the number of violations noted above be revised to “five,” which is the total in the technical document.**

- (2) The examiners found seven violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
  - a. In two instances, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
  - b. In five instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the UMPD coverage and/or UIM coverage when the file indicated the coverage applied to the loss.

**Company Response: We continue to respectfully disagree with 1 violation on review sheet number 1183632365. We disagree that we failed to disclose to the first party claimant the transportation expenses available under the coverage of the policy. As initially provided, the Coverage file log note of 05/24/19 reflects the outline of the transportation expense coverage and the Insured Contact log note of 06/06/19 reflects the coverage was explained to the first party claimant. The claims adjustors use a template to ensure consistency and**

**accuracy of information disclosed to a first party claimant. The export of the log notes (as provided to the Bureau) display characters that resemble checkboxes, but in the claims system these characters are not checkboxes and do not indicate disclosure of any information. We previously provided to the Bureau a copy of the screens from our claims system which will better visually demonstrate the information conveyed to the first party claimant.**

- (3) The examiners found one violation of 14 VAC 5-400-40 E. The company released a claim payment under a specific coverage that contained language that purported to release the insurer or its insured from its total liability.
- (4) The examiners found one violation of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
- (5) The examiners found 15 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In six instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverages applied to the claim.
  - b. In eight instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.
  - c. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's MEB coverage.

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

- (6) The examiners found ten violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or

on behalf of the company.

- a. In seven instances, the company failed to provide a copy of the repair estimate to the insured.
- b. In three instances, the company failed to provide a copy of the repair estimate to the claimant.

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

- (7) The examiners found two violations of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.
- (8) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (9) The examiners found two violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

**Company Response: We continue to respectfully disagree with the 1 violation on review sheet 1183632365. The plaintiff attorney sent a letter with a listing of charges and a total amount. The adjuster made payment based on the requested amount from the plaintiff attorney. The plaintiff attorney made a mistake on the total amount. Once the mistake was corrected by the plaintiff attorney and a request was sent for the additional amount, the payment was made promptly. The claim investigation and reimbursement were prompt. This was a mathematical error made by the plaintiff attorney.**

- (10) The examiners found five violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

- a. In one instance, the company unreasonably delayed the settlement of a claim.
- b. In one instance, the company failed to reimburse the claimant for the cost of renting a comparable substitute vehicle.
- c. In three instances, the company failed to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear by failing to pay the claimant the proper sales and use tax, title fee, and/or license transfer fee.

**Company Response: We continue to disagree with both counts on review sheet**

**1571147818 which was moved to review sheet 1602781517. 1. The company received the PD subrogation demand on 5/31/19. The demand was evaluated on 6/3/19 and sent to a vendor for audit same day. USAA filed in Arbitration Forums, Inc., seeking the full amount of their demand. The results of the audit came back on 7/10/19 which found a significant variance in the amount claimed and the amount owed. The arbitration award came back in favor of USAA on 10/21/19 and the full amount of the PD claim (\$24,244.41) was paid on the same day. Because there was a dispute in value, there was no delay. 2. The company received the BI demand package on 8/28/19, the claim was evaluated on 9/25/19 and a call to claimant's attorney was made on 10/15/19 in an effort to resolve. Prior to receiving the demand, the adjuster made multiple attempts by phone and letter to obtain a status on the injury claim. The demand was received and timely evaluated by Selective. Attempts to reach the attorney have been made.**

- (11) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.
- (12) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In four instances, the company failed to pay an UM claim properly.
  - b. 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 fraud statement on claim forms required by the company as a condition of payment.

**Commercial Property and Liability Claims**

The examiners reviewed 58 commercial property and liability claims for the period July 1, 2018 through June 30, 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 no overpayments and underpayments totaling \$6,440.01. The net amount that should be paid to claimants is \$6,440.01 plus six percent (6%) simple interest.

- (1) The examiners found two violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found three violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.
- (3) The examiners found one violation of § 38.2-236 A 2 of the Code of Virginia. The company failed to send a copy of the letter sent to the claimant's attorney.
- (4) The examiners found one violation of § 38.2-236 B of the Code of Virginia. The company failed to use the required language in its notification to the claimant of a settlement payment issued to the claimant's attorney or representative.
- (5) The examiners found seven violations of § 38.2-510 A 1 of the Code of Virginia.
  - a. In three instances, the company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.

- b. In four instances, 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.

**Company Response: We have never received review sheet 1571938663, and we need it for review before we can confirm or refute the total violations.**

- (6) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy or applicable law for the denial of a claim or offer of a compromise settlement.

**Company Response: We continue to respectfully disagree with review sheet ClaimPropHO 1865961733. The Riverside Health System correspondence referenced in the Bureau's observation is not a bill and clearly states, "This is not a bill. This is an itemization for services". This correspondence did not come with supporting medical records.**

#### 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 fraud statement on claim forms required by the company as a condition of payment.

#### Forms Review

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

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

### **Automobile Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 41 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

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

**Company Response: We respectfully disagree with these findings. We do not use standard auto form PP 0201 for "Suspension of Insurance" or PPP0202 for "Reinstatement of Insurance." Our practice is to issue an endorsement removing or reinstating the coverage and sending our policyholder an updated Declaration Page reflecting the change in coverage.**

#### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.



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

The companies provided copies of 91 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this section.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Automobile Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 273 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this section.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Property and Liability Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 534 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found two violations of § 38.2-317 A of the Code of Virginia. The company used forms that were not filed with the Bureau at least 30 days prior to use.
- (2) The examiners found two violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the requested forms.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**Commercial Package Policies Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 546 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found 15 violations of § 38.2-317 A of the Code of Virginia. The company used forms that were not filed with the Bureau at least 30 days prior to use.
- (2) The examiners found two violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the requested forms.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**POLICY ISSUANCE PROCESS REVIEW**

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

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

**Automobile Policies**

The companies provided three new business policies mailed/sent on July 24, 2019. In addition, the companies provided three renewal business policies mailed/sent on July 24, 2019.

NEW BUSINESS POLICIES

The examiners found no violations in this section.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this section.

**Homeowner Policies**

The companies provided three new business policies mailed/sent on the following dates: July 23 and 30, 2019. In addition, the companies provided three renewal business policies mailed/sent on July 23, 2019.

NEW BUSINESS POLICIES

The examiners found one violation of § 38.2-2120 of the Code of Virginia. The company failed to offer the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this section.

**Commercial Automobile Policies**

The companies provided four new business policies mailed/sent on the following dates: August 7, 14, 20, and 22, 2019. In addition, the companies provided six renewal business policies mailed/sent on the following dates: July 18, 25, and 30, 2019 and August 9, 2019.

NEW BUSINESS POLICIES

The examiners found four violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute. The company failed to attach all forms applicable to the policy.

**Company Response: We respectfully request that the Bureau reconsider these 4 issues as violations of 38.2-305A of the Code of Virginia. The policy forms listing supplied to the examiners incorrectly noted an internal version identifier of "A." The correct, applicable form was attached to the policy and was appropriately filed with the Bureau.**

RENEWAL BUSINESS POLICIES

- (1) The examiners found four violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute.
  - a. In two instances, the company failed to state the effective date on the declarations page.
  - b. In two instances, the company failed to attach all forms applicable to the policy.
- (2) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.

**Commercial Property and Liability Policies**

The companies provided six new business policies mailed/sent on the following dates: July 8, 24, 25, and 30, 2019 and August 8, 2019. In addition, the companies provided six renewal business policies mailed/sent on July 25, 2019.

NEW BUSINESS POLICIES

- (1) The examiners found seven violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute.

- a. In one instance, the company failed to state the effective date on the declarations page.
- b. In six instances, the company failed to attach all forms applicable to the policy.

**Company Response: We respectfully request that the Bureau reconsider these 6 issues as violations of 38.2-305A of the Code of Virginia. The policy forms listing supplied to the examiners incorrectly noted an internal version identifier of 'A'. The correct form was attached to the policy and was appropriately filed with the Bureau.**

- (2) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination.

#### RENEWAL BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the policy all of the information required by the statute.
  - a. In two instances, the company failed to state the effective date on the declarations page.
  - b. In one instance, the company failed to attach all forms applicable to the policy.

**Company Response: We respectfully request that the Bureau reconsider these finding as a violation of 38.2-305A of the Code of Virginia. The policy forms listing supplied to the examiners incorrectly noted an internal version identifier of "A." The correct form was attached to the policy and was appropriately filed with the Bureau.**

- (2) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.
- (3) The examiners found two violations of § 38.2-2124 of the Code of Virginia. The company failed to provide the Ordinance and Law notice to the insured.

- (4) The examiners found two violations of § 38.2-2125 of the Code of Virginia. The company failed to provide the Flood Exclusion notice to the insured.

### **STATUTORY NOTICES REVIEW**

The examiners reviewed the companies' statutory notices used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations. To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the companies. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

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

### **General Statutory Notices**

- (1) The examiners found two violations of § 38.2-604 C of the Code of Virginia.
- a. In one instance, the company's short form Notice of Information Collection and Disclosure Practices did not include all of the information required by the statute.
  - b. In one instance, the company failed to have available for use Notice of Information Collection and Disclosure Practices.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not contain substantially similar language as that of the prototype set forth in Administrative Letter 1981-16.

**Statutory Vehicle Notices**

- (1) The examiners found two violations of § 38.2-1905 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Point Surcharge Notice.
- (2) The examiners found two violations of § 38.2-1906.1 of the Code of Virginia. The company failed to have available for use the Misquote of Premium notice.
- (3) The examiners found one violation of § 38.2-2202 A of the Code of Virginia. The company's MEB notice was not in the precise wording as required by the statute.

**Company Response: We continue to respectfully disagree with review sheet**

**NoticesSVN-1101564353. Our notice (SICSC, IN 03 14 09 17) is consistent with Va. Code Ann. Section 38.2-2202. The notice is titled "Important Notice" and includes language that is identical to the statute. While our notice replaces the word "company" with "service center", this revision is permitted under Va. Code Ann. Section 38.2-2202 ("for the word 'company' appearing in any standard form, there may be substituted a more accurate descriptive term for the type of insurer."). "Service Center" is a more accurate term for the needs of our customers, as our policies are serviced by service centers or by agents of record.**

- (4) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The rejection of higher UM limits notice was not in the precise wording as required by the statute.
- (5) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Credit Score Disclosure notice.

**Statutory Property Notices**

- (1) The examiners found two violations of § 38.2-2118 of the Code of Virginia. The company's Replacement Cost Coverage provisions notice did not comply with the requirements of the statute.
- (2) The examiners found one violation of § 38.2-2125 of the Code of Virginia. The company failed to include all of the information required by the statute in its Flood Exclusion notice.
- (3) The examiners found two violations of § 38.2-2126 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Credit Score Disclosure notice.

**Company Response: We continue to disagree with NoticesSPP505098784 a. At the time of quote an Adverse Action Notice for the Insurance Score is made available, on the Premium Summary Quick Links section of the Policy Administration System, (SelectPLUS), for the agent or company to provide to the customer. This change to our Policy Administration system was promoted on February 24, 2018 and the notice is form MISC-1844. The supporting documentation has been submitted to the Bureau.**

**Other Notices**

The companies provided copies of 34 other notices including applications that were used during the examination period.

The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of the possibility of fire insurance coverage through the Virginia Property Insurance Association (VPIA).

**Company Response: We respectfully request that this finding be withdrawn, as we understood it would be after we continue to disagree with review sheet NoticesON-1945299128 and the review sheet was withdrawn.**



**LICENSING AND APPOINTMENT REVIEW**

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

**Agency**

- (1) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide a copy of the application.

**Company Response: Upon further review, we respectfully request that the Bureau reconsider the violations for review sheets listed below. The signed applications or proof of the agency information if no application was obtained was provided to the Bureau. We should not have ‘agreed’ to the violation at the onset of the Exam.**

LAPAY-522507211	LAPAY-236416418
	LAPAY-1849523080
LAPAY-427559530	LAPAY-190246751

**With regard to LAPAY1844483146, there is no application to provide, as this policy is for the Company’s own fleet vehicle. We have included a copy of the brokerage license and the producer license as additional supporting documentation to the Bureau.**

- (2) The examiners found two violations of § 38.2-1822 A of the Code of Virginia. The company permitted an entity to act as an agency without first obtaining a license from the Commonwealth of Virginia.

**Company Response:** Upon further review, we respectfully request that these 2 violations be removed from the Report. Our Agency system appropriately shows the correct legal name of the agency, which is “Hazar Financial Services LLC.” Screen shots of our agency system have been uploaded to the Bureau.

(3) The examiners found three violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

**Company Response:** We continue to disagree with the following review sheets all pertaining to Middle Peninsula Insurance Agency.

LAPAY-984404664	LAPAY-268012578
LAPAY-77232129	

On 11/16/18, Middle Peninsula Insurance Agency merged with Towne Insurance Agency. Towne Insurance Agency, LLC has been appointed with Selective since 6/1/1998.

**Agent**

(1) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide a copy of the application.

**Company Response:** We continue to respectfully disagree with the findings in the following review sheets:

LAPAG-355972593	LAPAG-2144061452
LAPAG-733669376	LAPAG-312673901

For each of these policies, we did not obtain copies of the application. Consistent with the Bureau’s instruction in its Request for Information, we provided screen prints from our policy administration system showing the agent of record for each policy.

**We also respectfully disagree with the 2 violations listed for review sheet LAPAG-1333887324. The agent listed on the policy is a licensed agent of SRM Insurance Brokerage and an employee of Selective Insurance Company of America. SRM Insurance Brokerage is wholly owned by Selective Insurance Company of America. The policy insures our own fleet vehicles. We have submitted information in support of our position to the Bureau.**

(2) The examiners found seven violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agency within 30 days of the date of the application.

**Company Response: We respectfully disagree with the 6 violations noted in the below review sheets:**

LAPAG-287674382	LAPAG-1194931957	LAPAG-179883959
LAPAG-1355537421	LAPAG-1179276569	LAPAG-1979034455

The agency/agent is currently appointed by Selective and has been appointed since 1966. Further, our records show 4 agents associated with the Elizabeth Mitchell Inge *dba* Elbridge G Coles Insurance Agency. We have submitted shots of our agency system supporting our position to the Bureau.

**COMPLAINT-HANDLING PROCESS REVIEW**

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

The examiners found two violations of § 38.2-511 of the Code of Virginia. The company failed to maintain a complete complaint register in compliance with this statute.

**Company Response: We respectfully request that these two findings be removed from Report, as the subject complaints involve companies and/or lines of business that are outside the scope of this examination. Additional information supporting our position has been submitted to the Bureau:**

- **CRGenCom-1643819067 is a complaint (Complaint File No. [REDACTED]) related to Selective Insurance Company of the Southeast, which is not a company subject to this examination.**
- **CRGenCom-819065215 is a complaint that involves lines of business and a company outside the scope of this exam:**
  - **For file [REDACTED], the policy was written by Selective Insurance Company of South Carolina and the complaint involved a commercial lines policy. However, this examination was limited only to Private Passenger Auto and Homeowners lines of business.**
  - **For file [REDACTED], the complaint related to Selective Insurance Company of the Southeast, which is not a company subject to this examination.**

#### **PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW**

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

The companies provided their written information security procedures.

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

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

**General**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

**Rating and Underwriting Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharges as of the date the error first occurred.

**Company Response: We have reviewed the errors and are in the process of issuing refunds or credits for the agreed overcharges. Please refer to Selective Restitution Spreadsheet, which we have submitted to the Bureau, for additional information on the proposed refund amounts with which we disagree.**

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

**Company Response: Six percent (6%) interest is included in all refunds and or credits being issued as referenced and stated in (1) above.**

- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

**Company Response:** We have reviewed the overcharges within the Selective Restitution Spreadsheet (referenced in this request as the file titled “Rating Overcharges Cited During the Examination”) and are in the process of issuing refunds or applying credits for the agreed overcharges. An updated Selective Restitution Spreadsheet will be submitted once all refunds or credits have been issued.

- (4) Specify required information in the policy accurately. Particular attention should be focused on forms, endorsements, discounts, premium/fees, coverage limits, and deductibles shown on the declarations page.

**Company Response:** We are in the process of updating our Declarations Page and underlying rating algorithms and forms triggers to identify appropriate forms, endorsements, discounts, premium/fees, coverage limits, and deductibles. We have submitted information detailing these revisions and filings to the Bureau.

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

**Company Response:** Pursuant to our Agency Agreement that we execute with all our agency partners, they are to (i) maintain all records related to policy acquisition appropriately and consistent with Selective’s Record Retention Schedule, a copy of which we submitted to the Bureau, and (ii) provide us with full access to those records. We are supplementing our Quality Assurance review protocols to ensure they include regular reviews of and access of Agency policy files to validate the completeness of these files and compliance with the Agency Agreement.

- (6) File all forms with the Bureau at least 30 days prior to use.

**Company Response:** Our policy and practice is to file all forms with the Bureau at least 30 days prior to use and to discontinue use of any withdrawn or superseded forms by the effective date. Instances where a withdrawn or superseded form was added to a policy were inadvertent errors that we have corrected. We are supplementing our Quality Assurance review protocols to ensure they include regular reviews of issued policies to

**confirm that withdrawn or superseded forms are not attached.**

- (7) Properly assign points to the vehicle customarily driven by the operator responsible for incurring points.

**Company Response: Our process of assigning points to the customary vehicle driven by the operator incurring points is robust. The examiners only found one instance where we did this improperly, and we believe this was an isolated finding. We respectfully request that this corrective action be removed from the Report.**

- (8) File all rates and supplementary rate information with the Bureau.
- (9) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts and surcharges, application of points for accidents and convictions, symbols, tier eligibility, base and/or final rates, IRPM factors, UM rates, classification factors, territory, rounding rules, rate caps, construction type, minimum premium rules, deductible factors, public protection class, occupancy class, package modification factors, interpolation process, and prospective lost cost factors.

**Company Response to Nos. 8 and 9: Our policy and practice is to use all rules and rates on file with the Bureau. We have submitted information detailing the revisions and/or filings we have made to correct these findings as an addendum to this response. For issues identified by the Bureau where an insured did not receive proper discounts and was overcharged, it is our practice to return the overcharged amounts from the date the error first occurred, plus 6% simple interest. Refunds are made via check or policy credit. To eliminate the use of rules and rates not on file with the Bureau, we will supplement our Quality Assurance and Compliance reviews to validate that our policy administration systems are appropriately populated with filed rules and rates. We also have implemented a new and auditable third-party software system to manage the filing and implementation of all rules and rates.**

- (10) Update the insured's credit information at least once every three years as required by § 38.2-2234 of the Code of Virginia.

**Company Response: Our process of updating an insured's credit information at least once every three years is very robust. The examiners only found one instance where we did this improperly, and we believe this violation was an isolated finding. We respectfully request that the corrective action be removed from the Report.**

### **Termination Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

**Company Response: We are correcting the errors that caused the overcharges and undercharges and are refunding or crediting our insureds pursuant to the Selective Restitution Spreadsheet, which we have submitted to the Bureau. The Spreadsheet provides additional information on those amounts with which we disagree with the examiners.**

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

**Company Response: Six percent (6%) interest is included in all refunds and or credits being issued as referenced and stated in (1) above.**

- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge they have refunded or credited the overcharges listed in the file.



**Company Response: Please see responses to (1) and (2) above.**

(4) Advise the insured of the availability of other insurance through the VPIA.

**Company Response: We respectfully request that this be removed from the corrective action plan because there were no findings by the examiners that we failed to notify a homeowner or commercial property insured of the availability of other insurance through the VPIA.**

(5) Obtain and retain valid proof of mailing the cancellation notice to the insured.

**Company Response: We have a robust process to obtain valid proof of mailings for company-initiated cancellation notices sent to insureds. In our review of the examiners' findings, we determined that the one finding was caused by an individual employee's isolated error that we are addressing through increased training.**

(6) Charge fees and/or calculate earned premium according to the filed rules and policy provisions.

**Company Response: We respectfully request that this item be removed from the corrective action plan, as this is an isolated issue and we have provided additional information supporting our position to the Bureau in response to TermNPPA-1400076211.**

(7) Cancel a policy insuring an owner-occupied dwelling when the notice is mailed after the 89<sup>th</sup> day of coverage only for those reasons permitted by § 38.2-2114 of the Code of Virginia.

**Company Response: We respectfully request that this corrective action item be removed from the Report for the reasons specified in (5) above.**

(8) Use the cancellation date requested by the insured.

**Company Response to No. 8: We respectfully request that this corrective action item be removed from the Report as the examiners only had two related findings. In reviewing**

**the examiners' findings, we determined that the findings were caused by isolated individual employee errors that we are addressing through increased training.**

- (9) Obtain advance notice of cancellation from the insured for insured requested cancellations.

**Company Response: We respectfully request that this corrective action item be removed from the Report, as the Bureau has advised this is a recommendation, as noted below. We will reinforce to our underwriting staff and agency partners that our policy provisions require advance notice of cancellation, even at the insured's request. In circumstances where our insured provides proof of other insurance coverage, to not-adversely impact our insured, the Company will honor the insured's request within 30 days of the effective date of cancellation. This accommodation provides flexibility to our insureds that have proper proof of replacement coverage. Without this process, we risk subjecting our customers to incurring additional premiums and potentially subject them to collections, in the event of non-payment for the insurance they requested to cancel. .**

### **Claims Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

**Company Response: We are correcting the errors that caused the underpayments and overpayments and are issuing refunds or credits pursuant to the Selective Restitution Spreadsheet, a copy of which we have submitted to the Bureau. The Spreadsheet also provides additional information on amounts with which we disagree with the examiners. We will submit an updated Selective Restitution Spreadsheet once we have issued all refunds.**

(2) Include six percent (6%) simple interest in the amount refunded to the insureds.

**Company Response: Six percent (6%) simple interest is included in all refunds or credits as referenced and stated in (1) above.**

(3) Complete and submit to the Bureau the attached file titled "Claim Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge they have paid the underpayments listed in the file.

**Company Response: We will complete and submit the Selective Restitution Spreadsheet to the Bureau when we have completed refunds or credits for all underpayments.**

(4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

(5) Document the claim file that all applicable coverages have been disclosed to the insured. Particular attention should be given to deductibles, rental benefits under UMPD, Personal Property coverage, MEB coverage, Transportation Expense coverage, ALE coverage, and replacement cost benefits under Dwelling and Personal Property coverages.

**Company Response: In response to the examiners' findings, we have reviewed and improved our processes for communicating and documenting coverage benefits, as well as reinforced throughout our Claims organization our standards for claims adjustments.**

**Our actions, to date, include the following:**

- **Update our claims system so as not to display a daily rental limit for Virginia policies. While our Virginia policy declarations page and our underwriting system appropriately displays the total rental limit available for Virginia policies, this change to the claims system will clarify the issue for our adjusters and limit any potential errors in their communications with insureds.**
- **Update the state-specific matrix utilized by adjusters for Transportation Expense reimbursement and implement a process for bi-annual review to ensure that the**

**information is valid and current.**

- **Conduct formal, comprehensive UMPD training on 2/19/2020 to auto physical damage claim adjusters and auto claim leaders in our Richmond service center.**

**The training specifically covered issues identified in this exam including:**

- **When UMPD applies to the loss;**
  - **Definition of uninsured motor vehicle;**
  - **Rental paid under UMPD reserve line;**
  - **Appropriate deductible when (i) claimant is unknown or (ii) when claimant is known, but has no insurance; and**
  - **Appropriate payment coding when UMPD applies to the loss.**
- **Supplement UMPD coverage training required for all new adjusters handling Virginia claims and implement annual refresher training to existing Virginia adjusters and leaders.**
  - **Require supervisory review/approval of any coverage analysis, deductible application, rental paid and/or payment coding for losses where UMPD is triggered.**
  - **Incorporate within Quality Assurance reviews and Compliance reviews, Virginia UMPD coverage and payments.**
- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (7) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.

**Company Response: Vehicle repair estimates are prepared either by (i) our in-house appraisers; (ii) Direct Repair Program (DRP) shops; or (iii) independent appraisers. Our contracts with both the DRP shops and independent appraisers require that copies of**

**estimates be provided to our insureds and the claimants. Adjusters now will also obtain copies of these estimates and ensure that the estimate is delivered to the insured/claimant and also maintained in the claims files. Our Quality Assurance and Compliance reviews will regularly audit this process.**

(8) Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.

**Company Response to Nos.: 4, 5, 6 and 8: In response to the examiners' findings, we have undertaken a complete review of our Claims Compliance organization and determined that the following actions are appropriate:**

- **We are moving supervision of the Claims Compliance unit, which has second-level of defense responsibility, from the Claims organization to the Legal Department. The Legal Department already has (i) the State Filings unit and (ii) the Regulatory Compliance unit, which has second level defense responsibility for Underwriting compliance. The Legal Department also has responsibility for the holding company's corporate compliance program. We believe this organizational restructuring creates operational and communication synergies with the Legal Department's compliance expertise, particularly about regulatory matters, including Market Conduct Examinations. The Legal Department has several personnel who have extensive regulatory experience, maintain relevant professional certifications, and have management experience in larger compliance organizations.**
- **In 2020, Corporate Compliance implemented a new third-party vendor software that manages the Company's regulatory compliance requirements and ensures that our policies, procedures, and compliance controls operate effectively throughout the organization. This third-party vendor will also host our claims regulatory manual, ensuring that our claims staff has current and specific state regulatory requirements readily accessible.**

- **Thorough review of the Company's Claims quality assurance and regulatory review protocols to address frequency and scope of these reviews, with particular attention to the issues noted in the exam. These reviews will ensure a consistent self-evaluation to identify and address any regulatory deficiencies. Findings from these reviews, and proposed recommendations on improvements to processes, will be shared with individual adjusters and with the Company's management teams.**
- **Conduct training in Q1 2021 with all VA claims adjusters to review issues identified in the exam and the necessary corrective actions to ensure that our processes and claims files meet the standards set by the VABOI.**

### **Forms Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) File all property forms with the Bureau at least 30 days prior to use.

**Company Response: Our policy and practice to file all forms with the Bureau at least 30 days prior to use and to discontinue use of any withdrawn or superseded forms by the effective date. Instances where a withdrawn or superseded forms were attached to a policy were inadvertent errors that we have corrected. We are supplementing our Quality Assurance review protocols to include regular reviews of issued policies to confirm that withdrawn or superseded forms are not attached.**

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

**Company Response: Pursuant to our Agency Agreement that we execute with all our agency partners, they are to (i) maintain all records related to policy acquisition appropriately and consistent with Selective's Record Retention Schedule, a copy of which we submitted to the Bureau, and (ii) provide us with full access to those records.**

**We are supplementing our Quality Assurance review protocols to ensure they include regular reviews of and access of Agency policy files to validate the completeness of these files and compliance with the Agency Agreement.**

(3) Use the required standard auto forms adopted by the Bureau.

**Company Response: We respectfully request that the corrective action be removed, as it is our policy and practice to file all forms with the Bureau at least 30 days prior to use and to discontinue use of any withdrawn or superseded forms by the effective date. We did not utilize forms PP0201 and PP0202 since we do not suspend and reinstate insurance. Instead, our practice is to endorse a policy to remove and add coverages and provide to our insureds updated Declaration Pages reflecting these changes.**

#### **Policy Issuance Process Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

(1) Specify accurate information in the policy by attaching all applicable forms and state the effective date on the declarations page.

**Company Response: We are in the process of updating our Declarations Page and underlying rating algorithms and forms triggers to identify appropriate forms, endorsements, discounts, premium/fees, coverage limits, and deductibles. We have submitted information detailing these revisions and filings to the Bureau.**

(2) Provide the insured the Important Information Regarding Your Insurance notice with all new and renewal policies.

**Company Response: We respectfully request that the corrective action be removed from the Report, as this was an isolated incident and we have provided additional information support our position.**

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

**Company Response:** Pursuant to our Agency Agreement that we execute with all our agency partners, they are to (i) maintain all records related to policy acquisition appropriately and consistent with Selective's Record Retention Schedule, a copy of which we submitted to the Bureau, and (ii) provide us with full access to those records. We are supplementing our Quality Assurance review protocols to ensure they include regular reviews of and access of Agency policy files to validate the completeness of these files and compliance with the Agency Agreement.

(4) Offer the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains as required by the Code of Virginia.

**Company Response:** We respectfully request that the corrective action be removed from the Report, as this was an isolated incident and we have provided additional documentation supporting our position.

(5) Provide the Ordinance and Law notice as required by the Code of Virginia.

**Company Response:** We respectfully request that the corrective action be removed from the Report, as we have corrected this issue and have supported additional information to the Bureau.

(6) Provide the Flood Exclusion notice as required by the Code of Virginia.

**Company Response:** We respectfully request that the corrective action be removed from the Report, as this was an isolated incident and we have provided additional documentation supporting our position.



**Statutory Notices Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

- (1) Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (2) Have available for use the short form Notice of Information Collection and Disclosure Practices.

**Company Response to Nos. 1-2: We are coordinating updates to our Notice of Information Collection and Disclosure Practices to ensure that its short form notice includes all information required by the statute. Further, we are utilizing a revised Acord application that attaches Acord 38 to Acord 90 consistent with the statute. Acord filed updated language on the Company's behalf, effective for policies processed on or after January 8, 2020.**

- (3) Amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.

**Company Response: We revised our Adverse Underwriting Decision notices (AUD-130 and AUD-1147) to contain substantially similar language to the Bureau's prototype provided in Administrative Letter 1981-16. This change was implemented via drawer-filing under SELC-132352502 and by enhancement to its policy administration system, Select PLUS, effective December 9, 2020.**

- (4) Amend the Point Surcharge notice to comply with § 38.2-1905 A of the Code of Virginia.

**Company Response: We have reviewed the Bureau's concerns over our use of form AUD130, and have modified and filed the amended form with Bureau.**

- (5) Have available for use the Misquote of Premium notice to comply with § 38.2-1906.1 of the Code of Virginia.

**Company Response: We are coordinating enhancements to our policy administration systems in order to make this form available for use.**

(6) Amend the Replacement Costs Coverage Provisions notice to comply with § 38.2-2118.

**Company Response: We have amended our notice to comply with the Code of Virginia.**

(7) Amend the Flood Exclusion notice to comply with § 38.2-2125 of the Code of Virginia.

**Company Response: We appreciate the Bureau's acknowledgment that our Flood Exclusion form (F1171) is compliant, and we will coordinate with ACORD to amend its Form 64.**

(8) Amend the Insurance Credit Score Disclosure notice to comply with §§ 38.2-2126 A and 38.2-2234 A 1 of the Code of Virginia.

(9) Amend the MEB notice to comply with § 38.2-2202 A of the Code of Virginia.

(10) Amend the Notice of Optional UM Coverage to comply with § 38.2-2202 B of the Code of Virginia.

**Company Response to Nos. 8-10: The Company respectfully requests that the corrective action be removed from the Report, as this was an isolated incident for which the Company provided additional information to the Bureau.**

### **Licensing and Appointment Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

**Company Response: The Company respectfully requests that the corrective action be removed from the Report, as additional information was submitted to the Bureau to the Bureau.**

(2) Appoint agents within 30 days of the application.

**Company Response: The Company respectfully requests that the corrective action be**

**removed from the Report, as the appointment issues noted in the exam do not indicate a deficiency in business practice. Further, additional information was submitted to the Bureau to the Bureau.**

- (3) Accept business only from agents and agencies that are licensed in the Commonwealth of Virginia.

**Company Response 3: The Company respectfully requests that the corrective action be removed from the Report, as this was an isolated incident involving a name discrepancy of a single entity.**

### **Complaint-Handling Process Review**

Selective Insurance Company of America,  
Selective Insurance Company of South Carolina, and  
Selective Way Insurance Company shall:

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

**Company Response: The Company respectfully requests that the corrective action be removed from the Report, as the Company provided additional information to the Bureau.**

## **PART THREE – RECOMMENDATIONS**

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

### **RECOMMENDATIONS**

We recommend that the companies take the following actions:

#### **Rating and Underwriting**

- Withdraw the Underwriting Score Development rate page filed under SELC-127172385

with the Bureau.

- List only forms and endorsements that are applicable on the declarations page.
- Revise the Computation Instructions Rule 301 A to specify how the company rounds premium.
- Remove the instructions regarding the Base Premium by Peril and Policy Base Premium calculations.
- Revise the Additional Coverages rule 301 C to properly indicate which factors apply to all Additional Coverages.
- Revise the Earthquake 505 rules to clarify the two BCEG instructions provided under items E and G.
- Revise rate page HH-2 to specify the factors are based on the Age of the Primary Named Insured.
- File a rule that Coverage A dwelling limit increases are rounded to the nearest \$500 when initiated by the company at renewal.
- Withdraw the 2000VA Loss Cost Multiplier rule page.

**Company Response: We have reviewed the Bureau's recommendations and have made the appropriate filings to address these recommendations. With respect to the recommendation in bullet point 2, we continue to review the Bureau's recommendations and will advise the Bureau of our findings at a later date.**

### **Termination**

- Obtain advance notice of cancellation from the insured.
- Use the cancellation date requested by the insured if the request has been made in advance.
- Submit a filing to the Bureau to amend the company's filed form(s) and/or rules to address

how insured requested cancellations will be handled if the request is made within 30 days and after 30 days.

- Allow policies to expire in lieu of extending coverage without consideration.

**Company Response: We will continue to review the Bureau's recommendations on insured requested cancellations, and will advise the Bureau of our process or form or rule filings at a later date.**

### **Claims**

- Remove the wording "Full and Final" from checks where the company has not confirmed the possibility of supplemental payments.
- Acknowledge claims in writing within 15 calendar days upon receiving notification of a claim.
- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 15 calendar days of receipt.
- Provide reasonable assistance to an insured in the management of a claim.
- Make all claim denials in writing and keep a copy in the claim file.
- Provide a reasonable explanation for the basis of a claim denial.
- Notify the claimant within five business days when a settlement check \$5,000 or greater is sent to the claimant's attorney or representative.
- Confirm the Notice of Settlement sent to the claimant complies with the statute.
- Not communicate with a represented claimant without the written consent of the claimant's attorney or representative.
- Adopt and implement reasonable standards for the prompt investigation of claims.
- Properly make payments under the MEB coverage without reduction.
- Not apply the UM deductible when no deductible applies to the loss.

- Include the lienholder on checks where applicable.
- Pay no more than an insured is entitled to receive under the terms of the policy.
- Make claim payments under the correct coverage.

**Company Response: We have reviewed the Bureau's recommendations and changed our Claims handling policies and procedures accordingly. We will reinforce these requirements through adjuster training and supplement our Quality Assurance review protocols to ensure they include a review of these requirements.**

### Forms

- Correct the typographical errors identified on the forms during the examination.

**Company Response: We will correct any typographical errors on our forms through the next revision and filings.**

### Policy Issuance Process

- Only list forms on the declarations page in the section titled "Forms List."

**Company Response: We continue to review the Bureau's recommendations and will advise the Bureau of its findings at a later date.**

### Statutory Notices

- Add the local and the Virginia only toll-free number to the Important Information Regarding Your Insurance notice.
- Change the word "comprehensive" with "other than collision" on the offer of rental reimbursement coverage notice.
- Amend the Statement of No Losses/Application For Reinstatement or Renewal Without Lapse notice to include the Fraud language as required by § 52-40 B of the Code of Virginia.

**Company Response: We have reviewed the Bureau's recommendations and will make the appropriate filings to address these recommendations.**

# COMMONWEALTH OF VIRGINIA

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



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March 22, 2021

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has reviewed the December 15, 2020 response to the Preliminary Market Conduct Report (Report) of the above-referenced companies (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile New Business Rating

- (1) After further review, the violation for RPA003 has been withdrawn from the Report. The declarations page incorrectly reflected Towing and Labor coverage as included, but the declarations page also reflected a limit of \$0 for each disablement. The Report has been renumbered to reflect this change.
- (3c) The violation for RPA002 remains in the Report. The Company disagreed with review sheet R&URBPPA1585165074 in the restitution spreadsheet; however, the Company did not provide a reason for its disagreement in Part One of the response to the Report. RPA002 initially had an overcharge of \$40.00 that has

been corrected to a \$55 undercharge in the Report and removed from the restitution spreadsheet. The violation in review sheet R&URBPPA1585165074 remains due to the filed rate page not stating to apply discounts to the Rates for All Other Trailers. Additionally, the Company only applied the Account Credit and Good Payer discounts when the Advanced Quote and Prior Liability Limits/Years with Prior Carrier discounts should have applied to this policy also.

- (4a) The two violations for RPA018 remain in the Report. The Company should provide documentation showing the driver had eligible grades in the prior school semester to be eligible for the Good Student discount. The Company has not adequately explained why the driver was eligible for the Away at School discount while attending an online university. The filed rule required the driver to live more than 100 miles away from the vehicle garaging location while attending school.

### **Private Passenger Automobile Renewal Business Rating**

- (1) The violation for RPA029 remains in the Report. The declarations page only reflected a PO Box for the mailing address under zip code 24540. However, the declarations should reflect a physical address for the garaging location of the insured vehicles. The Company incorrectly only listed the garaging zip code of 24541. Therefore, the declarations page failed to specify the garaging address of the insured vehicles.
- (3a) The violation for RPA048 remains in the Report. The Company's filed Driver Training rule 16.4 D 3 required "Satisfactory Evidence" that the driver completed a driver education course meeting the standards outlined in items a, b, c, d, or e of the rule. Item f of the rule stated "Satisfactory Evidence" is a certificate signed by a school official certifying fulfillment of the requirements in a, b, c, d, or e above. The policy file did not include any such documentation required by the rule. The filed rule did not state that the issuance of a license by DMV was acceptable. The Company should update this rule to reflect its practices.
- (3b) The three violations for RPA055 remain in the Report. The June 27, 2019 endorsement was only effective as of March 11, 2019. Therefore, the Company was still in violation of incorrectly surcharging the policy for three accidents from September 8, 2018 through March 11, 2019.
- (3d) The violation for RPA068 remains in the Report. The garaging location is in Albemarle County. The Company incorrectly rated this policy as located in Charlottesville City.
- (3h) The violation for RPA028 remains in the Report. The Company stated in its response that documentation was provided supporting its position. The Bureau was unable to locate any supporting documentation provided by the Company.
- The violation for RPA035 remains in the Report. The difference in the uncapped premium is due to the daytime running lights discount. When the Bureau applied the .95 daytime running lights discount factor it resulted in an uncapped premium of \$1,901.
- The violation for RPA037 remains in the Report. The prior expiring premium was \$1,054; the renewal uncapped premium was 5% lower at \$1,001. The Company's filed rate cap did not permit the renewal policy premium to be lower than \$1,028 (2.5% decrease). However, the Company charged \$1,086 as



shown on the fourth declarations page issued on June 7, 2019 to be effective June 12, 2019. The Company charged \$58 more than its filed rate cap indicated was necessary. This calculation is based upon the prior expiring policy premium because the Previous Program Premium was not provided. For reconsideration, the Company must provide the Previous Program Premium that corresponds to the endorsement issued on June 7, 2019.

### **Homeowner New Business Rating**

- (a) After further review, the violation for RHO008 has been withdrawn from the Report. The Company provided the necessary documentation to support its position.
- (b) After further review, the violation for RHO014 has been withdrawn from the Report. The insured had an active prior policy on January 16, 2019 when the Company quoted a policy effective date of February 14, 2019. Therefore, there was no evidence of a lapse when the Selective policy went into effect. The Report has been renumbered to reflect this change.
- (c) After further review, the violation for RHO006 has been withdrawn from the Report. The Company provided the necessary documentation to support its position. The Report has been renumbered to reflect this change.
- (d) After further review, the violation for RHO018 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the Building Code Effectiveness Grades (BCEGs).

### **Homeowners Renewal Business Rating**

- (a) The violation for RHO075 remains in the Report. The Company failed to apply all discounts. The Company did not respond to this in Part One of its response, no payment was made on the restitution spreadsheet.
- (b) After further review, the violation for RHO041 has been withdrawn from the Report. The Company provided the necessary documentation to support its position. The Company disagreed with this violation in the restitution spreadsheet.  

The violation for RHO075 remains in the Report. The construction of this dwelling was siding, wood. The Company used a masonry rate factor of 1.14 when calculating the Earthquake premium. The Company disagreed with this violation in the restitution spreadsheet.
- (c) After further review, the violation for RHO027 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the BCEGs. The Report has been renumbered to reflect this change.
- (d) After further review, the violation for RHO027 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the PPC.  

The violation for RHO063 remains in the Report. The Company did not provide any documentation that this violation was corrected before the examination began for the November 15, 2018 policy term.

- (f) The violation for RHO036 remains in the Report. The Company should have issued the policy with the uncapped premium of \$874. The May 15, 2019 endorsement was not a mid-term change; it was the renewal effective June 30, 2019. The 15% rate cap thresholds should not have been triggered since the Previous Program Premium was \$804.

The violation for RHO053 remains in the Report. The Company should have issued the policy with the uncapped premium of \$1,313. The February 11, 2019 endorsement was not a mid-term change; it was the renewal effective March 1, 2019. The 15% rate cap thresholds should not have been triggered since the Previous Program Premium was \$1,176.

The violation for RHO056 remains in the Report. The endorsement of March 7, 2019 was made prior to the April 18, 2019 renewal policy effective date; it was not a mid-term endorsement. The uncapped premium was \$534. The uncapped premium should have increased to \$794, by applying the .90 rate cap to the prior policy expiring premium of \$882. However, the Company charged \$798. The Company's filed Renewal Premium Capping rule stated capping would apply to renewals processed on or before January 30, 2023. The filed rule did not match the statements by in the Company's response. For reconsideration, the Company should provide the Previous Program Premium that corresponds to the endorsement issued on March 7, 2019.

The violation for RHO072 remains in the Report. Based on information provided by the Company at the start of the exam, the Previous Program Premiums are used to determine the rate capping factor. The Company provided a policy Homeowner Rating Worksheet showing the Previous Program Premium of \$832, which was used to determine the .90256 capping factor.

### **Commercial Auto New Business Rating**

- (1) After further review, the violation for RCA010 has been withdrawn from the Report. The Company provided the necessary documentation to support its position. The Company provided a copy of the signed application.
- (2) The violation for RCA022 remains in the Report. The Company disagreed with the violation within the restitution spreadsheet however no explanation or documentation was provided. The Company should make the restitution or provide support for its position.

### **Commercial Auto Renewal Business Rating**

- (1) After further review, the violation for RCA031 has been withdrawn from the Report. The Company provided the necessary documentation to support its position.

The violations for RCA027, RCA042, and RCA047 remain in the Report. Filing SELC-131637285 specified that the Company's loss cost multiplier (LCM) only applied to the Company's Independent Rate Filing. This filing did not include an Uninsured Motorist (UM) loss cost for the Company's use. For reconsideration, please provide the filing with the UM loss cost and corresponding LCM used to rate these policies.

- (2b) The violation for RCA036 remains in the Report. The Company requested a copy of review sheet R&URBCA194981042; however, the correct review sheet number is R&URBCA-1934981042. The Company responded to this review sheet on November 14, 2019; the original is attached for the Company's review.
- (2c) The violation for RCA033 remains in the Report. The Company was not cited for using the incorrect LCM but for using the incorrect base loss cost. The Company incorrectly used the loss costs from filing SEL-131637285 that was effective January 1, 2019. However, those loss costs were superseded when the Company submitted filing SELC-131580569. Filing SELC-131580569 adopted the ISO loss costs of CA-2016-RADLC (ISOF-130716565) effective May 1, 2019.
- (2d) The violation for RCA030 remains in the Report. The Company requested a copy of review sheet R&URBCA20769904103; however, the correct review sheet number is R&URBCA2076904103. The review sheet has been attached for the Company to review. The Company responded to this review sheet on November 14, 2019; the original is attached for the Company's review.

### **Commercial Property and Liability New Business Rating**

- (2a) After further review, the violation for RCP012 has been withdrawn from the Report. The Company provided the necessary application.
- (2b) The violation for RCP004 remains in the Report. In addition to the underwriting notes, the Bureau requested the updated Building Underwriting Reports (BURs) used to rate the policy or confirmation that the Company used BURs dated 2013 that were five years old to rate a new business policy in 2018.
- (3) The violations for RCP021, RCP037, RCP039, and RCP047 remain in the Report. Loss cost multipliers only apply to the loss costs specified in the PC IRF form. The PC IRF form filed by the Company only specified the ISO loss costs of BP-2017-RLA1 as applicable. Additionally, the Company's rate filing included an Exception page, 2000VA, that stated the loss cost multipliers specifically applied to the aforementioned ISO filing. Therefore, if the Company intended to apply loss cost multipliers to its independently filed rates, it would need to specify those rate filings in the PC IRF form filed with the Bureau.
- (4a) The violation for RCP017 remains in the Report. The Company provided a document stating that the insured was not aware of any losses during September 9, 2016 through November 14, 2019. However, the Company provided a screen print labeled "Claims Inquiry System" for all other policies reviewed during the examination. For reconsideration, the Company should provide the "Claims Inquiry System" for this policy.
- (4b) The violation for RCP048 remains in the Report. The Company stated in its response that documentation was provided supporting its position. The Bureau was unable to locate any supporting documentation provided by the Company.
- (4e) The violations for RCP021 and RCP037 remain in the Report. The Company indicated a copy of the ISO BCEG Schedule was submitted. However, no document was attached to the Company's response. For the violation to be reconsidered, the Company should submit the ISO BCEG Schedule.

- After further review, the violation for RCP050 has been withdrawn from the Report. The property was built in 1990 and did not qualify for a BCEG discount.
- (4f) After further review, the violation for RCP039 has been withdrawn from the Report. The Company provided documentation to support the correct public protection class (02) was used when rating the policy.
- (4i) The violation for RCP001 remains in the Report. The Company incorrectly referenced review sheet R&UNBCPL890585384 as never received in the introduction of its response to the Commercial Property and Liability New Business Rating section. However, the correct review sheet was R&UNBCPL-890585394, to which the Company responded on October 31, 2019.
- (4j) The violation for RCP018 remains in the Report. The Company provided its calculation for interpolation. However, the limit of insurance that the Company used of \$125,000 does not match the limit of insurance stated on the declarations page. The declarations page shows a limit of insurance of \$464,000. For the violation to be reconsidered, the Company should provide the declarations page that supports the limit of insurance that was used by the Company in its calculation.

The violation for RCP057 remains in the Report. The Company provided the interpolation calculation for Location 1 Building 1. However the violation was in regard to Location 2 Building 1 and Location 2 Building 2 insured on the policy. For the violation to be reconsidered, the Company should provide the calculations associated with those two premises.

### **Commercial Property and Liability Renewal Business Policies**

- (3) The violations for RCP077, RCP078, RCP119, and RCP139 remain in the Report. Loss cost multipliers only apply to the loss costs specified in the PC IRF form. The PC IRF form filed by the Company only specified the ISO loss costs of BP-2017-RLA1 as applicable. Additionally, the Company's rate filing included an Exception page, 2000VA, that stated the loss cost multipliers specifically applied to the aforementioned ISO filing. Therefore, if the Company intended to apply loss cost multipliers to its independently filed rates, it would need to specify those rate filings in the PC IRF form filed with the Bureau.
- (4c) The violation for RCP104 remains in the Report. The CLAS BOP Location Optional Coverage screen print was not found with the Company's responses. For reconsideration, please provide a copy of the referenced screen print.
- (4e) The violation for RCP118 remains in the Report. The ISO CMC Manual did not indicate a BCEG for Albemarle Co FPSA, where Building 1 was located. Further, the Company used BCEG 4 for Building 2 when it was constructed before the BCEG program started. The PPC violation referenced in the Company's response was previously withdrawn on April 7, 2020.

### **Cancellation Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The violation for TPA001 remains in the Report. The Company's response stated it resubmitted evidence that the FR-44 was submitted to the DMV. However, the Bureau is not in receipt of this information.

### **Automobile Cancellations for Nonpayment of the Premium**

- (1) The violation for TPA011 remains in the Report. The Company is required to file all fees which apply to the policy with the Bureau.
- (2) The violation for TPA007 remains in the Report. The Company's response indicates that billing screen prints have been provided from the billing system detailing the earned premium calculation. However, the billing screen prints provided were not from the system the Bureau had access to while on-site. For reconsideration, the Company must provide the following billing screen prints: transaction tab, balance tab, the amount the insured paid (payment hyperlink) and the cancellation tab from the billing system to which the Bureau had access.

### **Insured Requested Cancellations**

The violation for TPA021 remains in the Report. The Company's response indicates that the insured's cancellation was backdated, and the Company did not receive evidence that the coverage had been replaced.

### **Homeowner Cancellations Mailed Prior to the 90<sup>th</sup> Day of Coverage**

The violation for THO011 remains in the Report. The Company's response indicates that the Virginia only mailing verifications were re-submitted to the Bureau as supporting documentation. However, the Bureau is not in receipt of this information.

### **Commercial Automobile Terminations**

- (3) The violation for TCA007 remains in the Report. The Bureau acknowledges that the \$230.55 was not a payment, but a net deduction the agent took for the unearned premium. However, the billing screens reflect three payments of \$334 which is a total of \$1002. In addition, the Company provided another billing screen print that indicates that the total payment amount was \$771.45. Therefore, the Company must address this discrepancy. For further consideration, the Company must advise the total amount paid on the account, how much was paid by the insured, and how much was paid by the agent. Furthermore, the overcharge amount has been revised to \$94.15 (\$1002 - \$907.59 earned premium).
- (4) These violations remain in the Report. The Company states that it will reinforce the policy provisions requirement of advance notice to the underwriting staff and agency staff. The Company further confirms that it will honor the insured's request within 30 days of the effective date of cancellation if proof of duplicate coverage is provided. Therefore, the Company must amend its filed forms and/or rules to reflect its practices.

### **Commercial Property and Liability Terminations**

- (3) After further review, the violation for TCP056 has been withdrawn from the Report. The Company provided evidence that the insured sold the property.
- (4a) The violations for TCP077 remain in the Report. Review sheet TermTermCP1282221445 is not a duplicate of review sheet TermTermCPL-1309928050. The violation for review sheet TermTermCPL128222 is regarding

the Company not honoring the insured's requested date of cancellation. However, the violation for review sheet TermTermCPL1309928050 is the amount the insured is owed due to the Company not cancelling the insured's policy on the correct effective date.

- (4b) These violations remain in the Report. If the Company wishes to waive the advance notice requirement, the Company must submit a filing to the Bureau to amend its filed forms and/or rules to waive the advance notice requirement.

### **Private Passenger Automobile Claims**

- (7c) The violation for CPA094 remains in the Report. The Company needs to confirm with its insured that they did not acquire a rental vehicle while the insured vehicle was being repaired.

The violation for CPA045 remains in the Report. Please provide the documentation where the Company confirmed with the insured that they did not use a rental vehicle during the repair process.

The violation for CPA077 remains in the Report. The notes in the file suggest the claims adjuster did not realize there was Rental coverage on the policy. Please provide documentation where the Company confirmed with the insured that they were provided a loaner vehicle by the repair facility.

The violation for CPA084 remains in the Report. The Company failed to advise the insured the Collision Damage Waiver (CDW) was not a covered expense; the Company needs to advise and document in the claim file CDW would not be covered. The Company owes the insured 25 days of CDW expense.

- (7e) The violation for CPA063 remains in the Report. The Company should provide the revised claim file showing the changes made since the exam work completed.

- (9) After further review, the violation for CPA052 is withdrawn from the Report.

- (11) After further review, the violation for CPA062 has been withdrawn from the Report. The Company provided sufficient information for the violation to be reconsidered.

- (15) The violation for CPA015 remains in the Report. The Company provided an invalid Assignment of Benefit (AOB) for support. The Company should review § 38.2-2201 D of the Code of Virginia for how an AOB should be worded.

### **Homeowner Claims**

- (1) A violation for CHO004 has been added to the Report. The Company's claim file did not include the e-mail that sent the estimate to the insured.

After further review, the violation for CHO031 has been withdrawn from the Report. The Company provided the necessary documentation to support the payments issued to the insured.

The violation for CHO042 remains in the Report. The Company has provided a response that appears to be regarding another claim. The Company failed to provide support for the personal property payment of \$618.79. The insured submitted an inventory list that came to a total of \$1,492.06.

- (2c) The violations for CHO004 and CHO031 remain in the Report. The Company failed to fully disclose to the insured all the benefits provided by Additional Living Expense (ALE) coverage. For clarification, the policy reads as follows: "If a loss covered under Section I makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living." Therefore, the policy covers any additional cost that is incurred by the insured to remain in the residence to maintain its normal standard of living. The increase in electricity, food costs, etc. would be covered by the policy, and therefore, should have been explained to the insured.
- (4) After further review, the violation for CHO004 has been withdrawn from the Report. The claim file indicated that the estimate was e-mailed to the insured. However, a violation for not retaining a copy of the e-mail has been added to the Report under Item (1).
- After further review, the violation for CHO010 has been withdrawn from the Report. The claim notes indicated the insured had a copy of the estimate.
- (6) The violation for CHO042 remains in the Report. The violation was not withdrawn by the Bureau. The review sheet was withdrawn and moved to a new review sheet. The insured submitted a personal property spreadsheet that totaled \$1,537.31. The insured had a deductible of \$1,000.00. Therefore, a payment should have been issued for \$537.31. The Company sent a payment for \$618.79; therefore, the Company overpaid the claim by \$81.48.

### **Commercial Automobile Claims**

- (1) The violations for CCA016, CCA025, CCA043, CCA054, CCA063 and CCA083 remain in the Report. The technical report sent to the Company along with the Preliminary Report reflected six violations.
- (2b) After further review, the violation for CCA100 has been withdrawn from the Report. The Company was able to provide sufficient proof that the insured did not require a rental vehicle.
- (5b) After further review, the violation for CCA058 has been withdrawn from the Report. CCA058 was a duplicate claim of CCA057 that was also cited.
- (9) The violation for CCA100 (review sheet 1183632365) has been addressed under Item (2b) of the Report. The Company incorrectly referenced this review sheet under Item 9 of the Report. For reconsideration of any violations cited in Item 9, the Company should provide the correct review sheet number.
- (10a) The violation for CCA060 remains in the Report. The subrogation demand has been removed from this violation; however, the delay in the demand evaluation remains. The amount of time elapsed between the Company receiving the demand and evaluating the demand was 28 days. An offer was not made for 48 days.
- (10b) The violation for CCA009 remains in the Report. The claimant requested the rental in the initial contact. However the file failed to document whether the rental was no longer needed.
- (11) After further review, the violation for CCA046 has been withdrawn from the Report.

### **Commercial Property Claims**

- (5b) The Company requested a copy of review sheet ClaimPropCPL1571938663 for CCP027; it has been attached for review.
- (6) The violation for CCP046 remains in the Report. Please provide a copy of the document referenced in the Company's response. The document was not a part of the claim file reviewed.

### **Auto Forms Used During the Audit Period**

- (3) The violations for FPA014 and FPA015 remain in the Report. Simply removing the coverage from the policy is not complying with the requirements of suspending and reinstating coverage in accordance with § 38.2-2205.1 of the Code of Virginia. The Reinstatement of Insurance PP-02-02-08-86 and Suspension of Insurance PP-02-01-01-05 are mandatory standard forms. In order to comply with the requirements of § 38.2-2220 of the Code of Virginia, the Company was required to have these forms available for use when suspending and reinstating coverage.

### **Commercial Property and Liability Forms Used During the Audit Period**

- (1) Violations for FCP008 and FCP275 have been added to the Report. The Company failed to file these forms in advance of using them.
- (2) After further review, the violations for FCP008 and FCP275 have been withdrawn from the Report. These violations have been moved to Item (1) of the Report regarding § 38.2-317 of the Code of Virginia.

### **Commercial Package Forms Used During the Audit Period**

- (1) Violations for FBO215 and FBO489 have been added to the Report. The Company failed to file these forms in advance of using them.
- (2) After further review, the violations for FBO215 and FBO489 have been withdrawn from the Report. These violations have been moved to item (1) of the Report regarding § 38.2-317 of the Code of Virginia.

### **Commercial Automobile New Business Policy Issuance**

After further review, the violations for MCA001, MCA002, MCA003, and MCA004 have been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Commercial Property and Liability New Business Policy Issuance**

- (1b) After further review, the violations for MPC001, MPC002, MPC003, MPC004, MPC005, and MPC006 have been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was



attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Commercial Property and Liability Renewal Business Policy Issuance**

- (1b) After further review, the violation for MPC007 has been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Statutory Vehicle Notices**

- (3) The violation for NSV009 remains in the Report. Note the Company's response regarding its use of "service center" in lieu of "company"; however, the notice prescribed in § 38.2-2202 A of the Code of Virginia is specific in the language that must be used, and the Company's notice deviates from this required language.

### **Statutory Property Notices**

- (3) The violations for NSP003 and NSP007 remain in the Report. The Company's response is noted as well as the supporting documentation that was provided for review. Upon review, these violations pertain to violations of § 38.2-2126 A 1 of the Code of Virginia, specifically, the Company's Credit Score Disclosure notice. As indicated in review sheets NoticesSPP1201043660 and NoticesSPP505098784, the Company's notices did not comply with the aforementioned statute. The Company's response addressed the Credit Adverse Action notice pursuant to § 38.2-2126 A 2 of the Code of Virginia. The Credit Adverse Action notice is a different compliance issue relative to the Credit Score Disclosure notice as the former pertains to those credit factors that resulted in the applicant or policyholder failing to receive the lowest rate. The Credit Score Disclosure notice violation pertains to the Company's failure to properly disclose to the applicant or policyholder that it will pull the credit information and that the applicant or policyholder may request that this credit information be updated, and the Company would also re-evaluate the applicant or policyholder, upon request, of this corrected credit information.

### **Other Notices**

The violation for NON032 was previously withdrawn and the Report has been updated to reflect this change.

### **Agency**

- (1) The violation for AY017 remains in the Report. The Company provided an application; however, the business name and policy type (Owners & Contractors) did not match the Agent – Agency Sample list provided by the Company.

The violations for AY024, AY037, AY0101, and AY104 remain in the Report. The Company's response to the review sheets indicate that an application was

not obtained for the files. The Company has not provided a reason as to why the application was not obtained.

- (2) The violations for AY104 and AY105 remain in the Report. The Bureau's records indicate that Hazar Insurance did not become an alias of Hazar Financial Services LLC until November 9, 2020, which was after the policies were issued.
- (3) The violations for AY074 and AY076 remain in the Report. The Company initially reported commissions were paid to Middle Peninsula Insurance Agency by providing that entity's producer number for the two policies. The Company has not provided any documentation that Towne Insurance Agency merged with this agency. Further, the Bureau's records indicate that Middle Peninsula Insurance Agency did not file the trade name of Towne Insurance Agency until July 20, 2020, which was after the policies were cited.

After further review, the violation for AY075 has been withdrawn from the Report. The Company initially provided the producer number for Towne Insurance Agency as receiving commissions and provided the name of Middle Insurance Agency, which was filed as a trade name.

### **Agent**

- (1) The violations for AG001, AG002, AG035, AG097, and AG108 remain in the Report. The Company's response indicates that an application was not obtained. The Company has not provided a reason as to why the application was not obtained.
- (2) The violations for AG134, AG135, AG136, AG137, AG138 and AG139 remain in the Report. The Company indicated that the agency name was Elizabeth Mitchell Inge DBA Elbridge G. Coles Insurance Agency. However, the Bureau records did not reflect that Elizabeth Inge was listed as an agency. The Bureau records indicated that Elizabeth Inge was an agent and her appointment with the Company was canceled effective October 9, 2018, which was before the policies were issued. These agent violations were moved from the following agency BOI reference numbers: AY054, AY055, AY056, AY057, AY058, and AY059.

### **Complaint-Handling Process Review**

The violation for CR001 remains in the Report. The Bureau's records reflect Complaint 114823 involved a commercial general liability (GL) policy written by Selective Insurance Company of America. The Company's response stated the policy was written by Selective Insurance Company of South Carolina, but the Company provided a commercial auto declarations page written by Selective Insurance Company of the Southeast. Contrary to the Company's response, the examination included commercial lines policies, and therefore, this GL policy complaint should have been included in the complaint log provided for one of the Companies. The Companies did not provide any documentation reflecting complaint 112718 was recorded under the wrong company. Additionally, the complaint log failed to record the time it took to process each complaint and did not specify the Company involved in the complaints.

The violation for CR002 remains in the Report. The complaint log did not record the time it took to process each complaint and did not specify the Company involved in the complaints. However, the Bureau acknowledges that complaint 115137 was incorrectly filed under Selective Insurance Company of South Carolina instead of Selective Insurance Company of the Southeast. The Companies should have specified that the complainant filed the complaint for the wrong insurance company so the Bureau could have recorded the complaint for the correct Company.

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

### **Rating And Underwriting Review**

- (3) The overcharge for RHO018 has increased from \$17 to \$45 after withdrawing one of the violations. The Company should reimburse the insured for the additional \$28 overcharge and additional six percent interest reflected on the Revised Restitution spreadsheet.

The overcharge for RHO027 has increased from \$114 to \$158 after withdrawing one of the violations. The Company should reimburse the insured for the additional \$44 overcharge and additional six percent interest reflected on the Revised Restitution spreadsheet.

The Company should make all outstanding restitution indicated on the Revised Restitution Spreadsheet.

- (10) This item has been removed from this section of the Report.

### **Terminations**

- (4) This corrective action has been amended to advise the insured of the availability of other insurance through the VAIP, not the VPIA.
- (5) This corrective action remains in the Report as there was more than one occurrence of this violation.
- (6) This corrective action remains in the Report as there was more than one occurrence of this violation.
- (7) After further review, this corrective action has been withdrawn from the Report.
- (8) After further review, this corrective action has been withdrawn from this section of the Report and has been addressed in Part Three.
- (9) After further review, this corrective action has been withdrawn from this section of the Report and has been addressed in Part Three.

## **Claims**

- (3) The restitution for CPA012 has been amended to \$15.  
The restitution for CPA029 has been amended to \$3,890.  
The Company should make all outstanding restitution indicated on the Revised Restitution Spreadsheet.

## **Forms**

- (3) This item remains in the Report. Pursuant to § 38.2-2205.1 of the Code of Virginia, insurers must suspend and reinstate motor vehicle coverage when requested by military policyholders. The Companies cannot simply remove the coverage by endorsement to satisfy the statute. The Suspension of Insurance and Reinstatement of Insurance forms are automatically filed on every insurer's behalf in Virginia for that purpose. As such, the Companies are required to have the mandatory standard auto forms for suspending and reinstating coverage pursuant to § 38.2-2220 of the Code of Virginia. Please note that the Suspension and Reinstatement of Insurance forms will be withdrawn from use pursuant to Administrative Order AO 12113 upon the Companies implementing the 2018 Personal Auto Policy program, which is available for use as of January 1, 2021 and must be used no later than January 1, 2022. The withdrawal of these forms does not affect the Companies' responsibility to comply with § 38.2-2205.1 of the Code of Virginia to suspend and reinstate insurance coverage properly.

## **Policy Issuance**

- (2) This corrective action remains in the Report as the Bureau observed several occurrences by the Company.
- (4) After further review, this corrective action has been removed from the Report.
- (5) This corrective action remains in the Report as the Bureau observed more than one occurrence by the Company.
- (6) This corrective action remains in the Report as the Bureau observed more than one occurrence by the Company.

## **Licensing and Appointment Review**

- (1) This corrective action remains in the Report, as the Bureau observed several occurrences by the Company.
- (2) This corrective action remains in the Report, as there was more than one occurrence of this action.
- (3) This corrective action remains in the Report, as the Bureau observed several occurrences by the Company.

## **Complaint-Handling Process Review**

- (1) This item remains in the Report. The complaint logs did not include all the information required by the statute.

## PART THREE – RECOMMENDATIONS

### Policy Issuance Process

- The policy forms list on the declarations page should be updated to remove the internal “A” identifier at the end of the form name if the attached form number does not include this information.

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. The examiners have also separately provided copies of review sheets specifically requested by the Companies. The Companies’ response to this letter is due in the Bureau’s office by April 30, 2021.

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

Sincerely,



Andrea D. Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
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ADB/pgh  
Attachments

**SELECTIVE**  
INSURANCE®

May 14, 2021

VIA E-MAIL Delivery

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RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Baytop:

We have reviewed your reply of March 22<sup>nd</sup>, 2021 in response to the above referenced Market Conduct Exam. We address below the outstanding requests in line with the original report numbering. All supporting documentation has been submitted via the secure portal provided by the Bureau.

**PART ONE – EXAMINERS’ OBSERVATIONS**

**Private Passenger Automobile New Business Rating**

- (1) After further review, the violation for RPA003 has been withdrawn from the Report. The declarations page incorrectly reflected Towing and Labor coverage as included, but the declarations page also reflected a limit of \$0 for each disablement. The report has been renumbered to reflect this change.
  
- (3c) The violation for RPA002 remains in the Report. The Company disagreed with review sheet R&URBPPA1585165074 in the restitution spreadsheet; however, the Company did not provide a reason for its disagreement in Part One of the response to the Report. RPA002 initially had an overcharge of \$40.00 that has been corrected to a \$55 undercharge in the Report and removed from the restitution spreadsheet. The violation in review sheet R&URBPPA1585165074 remains due to the filed rate page not stating to apply discounts to the Rates for All Other Trailers. Additionally, the Company only applied the Account Credit and Good Payer discounts when the Advanced Quote and Prior Liability Limits/Years with Prior Carrier discounts should have applied to this policy also.

**We agree with the Bureau’s observation. We have filed amended manual rules to clarify which rating variables and discounts apply the Miscellaneous Vehicles including All Other Trailers. The filing ID is SELC-132525451.**

- (4a) The two violations for RPA018 remain in the Report. The Company should provide documentation showing the driver had eligible grades in the prior school semester to be eligible for the Good Student discount. The Company has not adequately explained why the driver was eligible for the Away at School discount while attending an online university. The filed rule required the driver to live more than 100 miles away from the vehicle garaging location while attending school.

**We agree with the Bureau's observation. This is an isolated error and we will address it through individual training to ensure that discounts are applied consistent with our filed and approved manual rules.**

### **Private Passenger Automobile Renewal Business Rating**

- (1) The violation for RPA029 remains in the Report. The declarations page only reflected a PO Box for the mailing address under zip code 24540. However, the declarations should reflect a physical address for the garaging location of the insured vehicles. The Company incorrectly only listed the garaging zip code of 24541. Therefore, the declarations page failed to specify the garaging address of the insured vehicles.

**We disagree with the Bureau's observation that the garaging address is explicitly required under 38.2-305A. Our policy declarations, as issued, meets all 6 of the conditions of 38.2-305A. We are unable to locate any additional guidance that indicates the street address of the garaging location is required to be on the declarations page along with the garaging zip code.**

- (3a) The violation for RPA048 remains in the Report. The Company's filed Driver Training rule 16.4 D 3 required "Satisfactory Evidence" that the driver completed a driver education course meeting the standards outlined in items a, b, c, d, or e of the rule. Item f of the rule stated "Satisfactory Evidence" is a certificate signed by a school official certifying fulfillment of the requirements in a, b, c, d, or e above. The policy file did not include any such documentation required by the rule. The filed rule did not state that the issuance of a license by DMV was acceptable. The Company should update this rule to reflect its practices.

**We agree with the Bureau's observation for item two in review sheet R&URBPPA2350932066. We will file an amended manual rule to indicate that valid driver's license, confirmed by a Motor Vehicle Report (MVR), is "Satisfactory Evidence" to apply the Driver Training Discount.**

- (3b) The three violations for RPA055 remain in the Report. The June 27, 2019 endorsement was only effective as of March 11, 2019. Therefore, the Company was still in violation of incorrectly surcharging the policy for three accidents from September 8, 2018 through March 11, 2019.

**We agree with the Bureau's observation for review sheet R&URBPPA-130801901. This is the result of an individual user error and has been addressed directly with that person.**

- (3d) The violation for RPA068 remains in the Report. The garaging location is in Albemarle County. The Company incorrectly rated this policy as located in Charlottesville City.

**We agree with the Bureau's observation in review sheet R&URBPPA130801901. We amended our manual rate pages to clarify that policies are rated based on the zip code of the garaging location, not the mailing address contained in the policy administration system. The filing ID for this change is SELC-131915688.**

- (3h) The violation for RPA028 remains in the Report. The Company stated in its response that documentation was provided supporting its position. The Bureau was unable to locate any supporting documentation provided by the Company.

**As requested, we have provided the documentation for the Bureau's reconsideration of review sheet R&URBPPA157166360.**

The violation for RPA035 remains in the Report. The difference in the uncapped premium is due to the daytime running lights discount. When the Bureau applied the .95 daytime running lights discount factor it resulted in an uncapped premium of \$1,901.

**We disagree with the Bureau's observation in review sheet R&URBPPA-564054835. The rating worksheet associated with the renewal transaction processed on June 11, 2018 confirms the uncapped premium is \$1,863 after the application of the 5% daytime running lights discount factor. We have included a copy of that rating worksheet as additional supporting documentation.**

The violation for RPA037 remains in the Report. The prior expiring premium was \$1,054; the renewal uncapped premium was 5% lower at \$1,001. The Company's filed rate cap did not permit the renewal policy premium to be lower than \$1,028 (2.5% decrease). However, the Company charged \$1,086 as shown on the fourth declarations page issued on June 7, 2019 to be effective June 12, 2019. The Company charged \$58 more than its filed rate cap indicated was necessary. This calculation is based upon the prior expiring policy premium because the Previous Program Premium was not provided. For reconsideration, the Company must provide the Previous Program Premium that corresponds to the endorsement issued on June 7, 2019.

**We disagree with the Bureau's observations on review sheet R&URBPPA-1252029446. Our filed Renewal Premium Capping Rule applies to the renewal policy transaction. Capping is not recalculated on any subsequent endorsement transactions, even those that apply at the renewal effective date. The June 7<sup>th</sup> endorsement was processed after the May 3<sup>rd</sup> renewal transaction. We have provided additional supporting documentation to reflect the renewal capping as of the May 3<sup>rd</sup> renewal transaction to support our premium development, as well as a copy of the change endorsement processed on June 7<sup>th</sup>,**

### Homeowner New Business Rating

- (a) After further review, the violation for RHO008 has been withdrawn from the Report. The Company provided the necessary documentation to support its position.



- (b) After further review, the violation for RHO014 has been withdrawn from the Report. The insured had an active prior policy on January 16, 2019 when the Company quoted a policy effective date of February 14, 2019. Therefore, there was no evidence of a lapse when the Selective policy went into effect. The Report has been renumbered to reflect this change.
- (c) **After further review, the violation for RHO006 has been withdrawn from the Report.** The Company provided the necessary documentation to support its position. The Report has been renumbered to reflect this change.
- (d) After further review, the violation for RHO018 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the Building Code Effectiveness Grades (BCEGs).

### Homeowners Renewal Business Rating

- (a) The violation for RHO075 remains in the Report. The Company failed to apply all discounts. The Company did not respond to this in Part One of its response, no payment was made on the restitution spreadsheet.

**We agree with the Bureau's observation of a \$281.00 net overcharge in review sheet R&URBHO671825908 for failing to apply all discounts to optional coverages for Earthquake and Water Back-Up. The restitution spreadsheet has been amended to reflect our agreement consistent with this response.**

- (b) After further review, the violation for RHO041 has been withdrawn from the Report. The Company provided the necessary documentation to support its position. The Company disagreed with this violation in the restitution spreadsheet.

The violation for RHO075 remains in the Report. The construction of this dwelling was siding, wood. The Company used a masonry rate factor of 1.14 when calculating the Earthquake premium. The Company disagreed with this violation in the restitution spreadsheet.

**We disagree with the Bureau's observation in review sheet R&URBHO-26586733. The home is classified as a frame construction with three or more exterior walls comprised of siding and wood. One exterior wall consists of masonry veneer. Earthquake coverage excludes coverage to exterior masonry veneer unless the insured elects this additional coverage. In this instance the insured purchased the masonry veneer coverage. Our filed rate page, EQ-1, provides that when masonry veneer coverage is selected then the policy earthquake coverage premium must be rated as masonry.**

- (c) After further review, the violation for RHO027 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the BCEGs. The Report has been renumbered to reflect this change.
- (d) After further review, the violation for RHO027 has been withdrawn from the Report. The Company provided the ISO Location report reflecting the PPC.

The violation for RHO063 remains in the Report. The Company did not provide any documentation that this violation was corrected before the examination began for the November 15, 2018 policy term.

**As requested, we have provided additional supporting documentation indicating that the issue was resolved in our November 2018 policy administration system release. In this instance the PPC rating as '6' when it should have been '5' did not cause a premium difference.**

- (f) **For the below referenced file reviews, specific to renewal capping; our filed Renewal Premium Capping Rule only applies to the singular renewal policy transaction. Capping is not recalculated on any subsequent endorsement transactions, even those endorsements that apply at the renewal effective date or if those endorsements are processed prior to the policy inception date. We filed an amended rule page for both our homeowners and our private passenger auto program to clarify how the capping applies. The filing ID is for auto is SELC-132525451 and for home is SELC-132565340**

The violation for RHO036 remains in the Report. The Company should have issued the policy with the uncapped premium of \$874. The May 15, 2019 endorsement was not a mid-term change; it was the renewal effective June 30, 2019. The 15% rate cap thresholds should not have been triggered since the Previous Program Premium was \$804.

**We disagree with the Bureau's observation for review sheet R&URBHO1572015967. The May 15, 2019 transaction was a change endorsement that occurred after the policy renewal transaction processed on May 13, 2019. We have provided additional supporting documentation that shows the renewal transaction on 5/13 and the change endorsement on 5/15.**

The violation for RHO053 remains in the Report. The Company should have issued the policy with the uncapped premium of \$1,313. The February 11, 2019 endorsement was not a mid-term change; it was the renewal effective March 1, 2019. The 15% rate cap thresholds should not have been triggered since the Previous Program Premium was \$1,176.

**We disagree with the Bureau's observation for review sheet R&URBHO2950985. The February 11, 2019 transaction was a change endorsement that occurred after the policy renewal transaction processed on January 10, 2019. We have provided additional supporting documentation that shows the renewal transaction on 1/10 and the change endorsement on 2/11.**

The violation for RHO056 remains in the Report. The endorsement of March 7, 2019 was made prior to the April 18, 2019 renewal policy effective date; it was not a mid-term endorsement. The uncapped premium was \$534. The uncapped premium should have increased to \$794, by applying the .90 rate cap to the prior policy expiring premium of \$882. However, the Company charged \$798. The Company's filed Renewal Premium Capping rule stated capping would apply to renewals processed on

or before January 30, 2023. The filed rule did not match the statements by in the Company's response. For reconsideration, the Company should provide the Previous Program Premium that corresponds to the endorsement issued on March 7, 2019.

**We disagree with the Bureau's observation for review sheet R&URBHO1272912344. The March 7, 2019 transaction was a change endorsement that occurred after the policy renewal transaction processed on February 27, 2019. We have provided additional supporting documentation that shows the renewal transaction on 2/27 and the change endorsement on 3/7.**

The violation for RHO072 remains in the Report. Based on information provided by the Company at the start of the exam, the Previous Program Premiums are used to determine the rate capping factor. The Company provided a policy Homeowner Rating Worksheet showing the Previous Program Premium of \$832, which was used to determine the .90256 capping factor.

**We disagree with the Bureau's observation for review sheet R&URBHO731582670. We have provided supporting documentation that shows the previous program premium as \$703 for the renewal policy transaction processed on May 30, 2018, effective July 18, 2018. The resulting capping factor .8768 was applied to the policy.**

### **Commercial Auto New Business Rating**

- (1) After further review, the violation for RCA010 has been withdrawn from the Report. The Company provided the necessary documentation to support its position. The Company provided a copy of the signed application.
- (2) The violation for RCA022 remains in the Report. The Company disagreed with the violation within the restitution spreadsheet however no explanation or documentation was provided. The Company should make the restitution or provide support for its position.

**We agree with the Bureau's observation on R&UNBCA-140845542 that our ISO PC IRF Filing Designation did not specifically note the LCM to use for UM. We have updated our filing procedures to include the LCM's for UM in future filings.**

### **Commercial Auto Renewal Business Rating**

- (1) After further review, the violation for RCA031 has been withdrawn from the Report. The Company provided the necessary documentation to support its position.

The violations for RCA027, RCA042, and RCA047 remain in the Report. Filing SELC-131637285 specified that the Company's loss cost multiplier (LCM) only applied to the Company's Independent Rate Filing. This filing did not include an Uninsured Motorist (UM) loss cost for the Company's use. For reconsideration, please provide the filing with the UM loss cost and corresponding LCM used to rate these policies.

**We agree with the Bureau's observations on the above referenced files. Our ISO PC IRF Filing Designation did not specifically note the LCM to use for UM. We have updated our filing procedures to include the LCM's for UM in future filings.**

- (2b) The violation for RCA036 remains in the Report. The Company requested a copy of review sheet R&URBCA194981042; however, the correct review sheet number is R&URBCA-1934981042. The Company responded to this review sheet on November 14, 2019; the original is attached for the Company's review.

**We previously agreed with the Bureau's observations and paid the stated restitution amount of \$116.28 for review sheet R&URBCA-1934981042 on December 14, 2020 (line 30 of the spreadsheet provided at that time).**

- (2c) The violation for RCA033 remains in the Report. The Company was not cited for using the incorrect LCM but for using the incorrect base loss cost. The Company incorrectly used the loss costs from filing SEL-131637285 that was effective January 1, 2019. However, those loss costs were superseded when the Company submitted filing SELC-131580569. Filing SELC-131580569 adopted the ISO loss costs of CA-2016-RADLC (ISOF-130716565) effective May 1, 2019.

**We agree with the Bureau's observation regarding the incorrect base loss cost. We note that the restitution due was paid as part of summary review sheet R&URBCA-11307637980 in the amount of \$180.84 on December 14, 2020.**

- (2d) The violation for RCA030 remains in the Report. The Company requested a copy of review sheet R&URBCA20769904103; however, the correct review sheet number is R&URBCA2076904103. The review sheet has been attached for the Company to review. The Company responded to this review sheet on November 14, 2019; the original is attached for the Company's review.

**As indicated in the copy of the review sheet provided for R&URBCA-2076904103, we had previously agreed with the Bureau's observation and subsequent violation.**

### **Commercial Property and Liability New Business Rating**

- (2a) After further review, the violation for RCP012 has been withdrawn from the Report. The Company provided the necessary application.
- (2b) The violation for RCP004 remains in the Report. In addition to the underwriting notes, the Bureau requested the updated Building Underwriting Reports (BURs) used to rate the policy or confirmation that the Company used BURs dated 2013 that were five years old to rate a new business policy in 2018.

**We agree with the Bureau's observation and have addressed this isolated issue with the underwriter.**

- (3) The violations for RCP021, RCP037, RCP039, and RCP047 remain in the Report. Loss cost multipliers only apply to the loss costs specified in the PC IRF form. The PC IRF form filed by the Company only specified the ISO loss costs of BP-2017-RLA1 as applicable. Additionally, the Company's rate filing included an Exception page, 2000VA, that stated the loss cost multipliers specifically applied to the aforementioned ISO filing. Therefore, if the Company intended to apply loss cost multipliers to its independently filed rates, it would need to specify those rate filings in the PC IRF form filed with the Bureau.

**We agree with the Bureau's observation on the above referenced files. We have updated our filing procedures to include the LCM's for its independently filed rates in the PC IRF form filed with the Bureau.**

- (4a) The violation for RCP017 remains in the Report. The Company provided a document stating that the insured was not aware of any losses during September 9, 2016 through November 14, 2019. However, the Company provided a screen print labeled "Claims Inquiry System" for all other policies reviewed during the examination. For reconsideration, the Company should provide the "Claims Inquiry System" for this policy.

**We have examined the provided review sheets related to RCP017. Review sheet R&UNBCPL1602727659 states that the violation has been moved from review sheet R&UNBCPL-1980439024, which is withdrawn. However, we have provided the requested screen print from our claims system as additional supporting documentation.**

- (4b) The violation for RCP048 remains in the Report. The Company stated in its response that documentation was provided supporting its position. The Bureau was unable to locate any supporting documentation provided by the Company.

**We agree with the Bureau's observation for file RCP048 and have updated our filings to reflect the proper rating procedures for HSB rated coverages. The filing ID for this change is SELC-132346776 for the BOP line of business.**

- (4e) The violations for RCP021 and RCP037 remain in the Report. The Company indicated a copy of the ISO BCEG Schedule was submitted. However, no document was attached to the Company's response. For the violation to be reconsidered, the Company should submit the ISO BCEG Schedule.

**We have included a copy of the ISO BCEG schedule for RCP021 as additional supporting documentation, but we agree to the violation related to RCP037 as we are unable to provide the supporting ISO BCEG schedule for this policy.**

After further review, the violation for RCP050 has been withdrawn from the Report. The property was built in 1990 and did not qualify for a BCEG discount.

- (4f) After further review, the violation for RCP039 has been withdrawn from the Report. The Company provided documentation to support the correct public protection class (02) was used when rating the policy.
- (4i) The violation for RCP001 remains in the Report. The Company incorrectly referenced review sheet R&UNBCPL890585384 as never received in the introduction of its response to the Commercial Property and Liability New Business Rating section. However, the correct review sheet was R&UNBCPL-890585394, to which the Company responded on October 31, 2019.

**As noted, we previously agreed with the Bureau's observations for R&UNBCPL-890585384.**

- (4j) The violation for RCP018 remains in the Report. The Company provided its calculation for interpolation. However, the limit of insurance that the Company used of \$125,000 does not match the limit of insurance stated on the declarations page. The declarations page shows a limit of insurance of \$464,000. For the violation to be reconsidered, the Company should provide the declarations page that supports the limit of insurance that was used by the Company in its calculation.

**We agree with the Bureau's observation for review sheet R&UNBCPL-1571852620 as we are unable to provide a Declarations page supporting the limit of insurance used in rating the policy.**

The violation for RCP057 remains in the Report. The Company provided the interpolation calculation for Location 1 Building 1. However the violation was in regard to Location 2 Building 1 and Location 2 Building 2 insured on the policy. For the violation to be reconsidered, the Company should provide the calculations associated with those two premises.

**As requested, we have provided the calculations related to Location 2 for the Bureau's reconsideration.**

### **Commercial Property and Liability Renewal Business Policies**

- (3) The violations for RCP077, RCP078, RCP119, and RCP139 remain in the Report. Loss cost multipliers only apply to the loss costs specified in the PC IRF form. The PC IRF form filed by the Company only specified the ISO loss costs of BP-2017-RLA1 as applicable. Additionally, the Company's rate filing included an Exception page, 2000VA, that stated the loss cost multipliers specifically applied to the aforementioned ISO filing. Therefore, if the Company intended to apply loss cost multipliers to its independently filed rates, it would need to specify those rate filings in the PC IRF form filed with the Bureau.

**We agree with the Bureau's observation on the above referenced files. We have updated our filing procedures to include the LCM's for its independently filed rates in the PC IRF form filed with the Bureau.**

- (4c) The violation for RCP104 remains in the Report. The CLAS BOP Location Optional Coverage screen print was not found with the Company's responses. For reconsideration, please provide a copy of the referenced screen print.

**As requested, we have provided the CLAS BOP Location Optional Coverage screen for R&URBCPL-300240412 as additional supporting documentation.**

- (4e) The violation for RCP118 remains in the Report. The ISO CMC Manual did not indicate a BCEG for Albemarle Co FPSA, where Building 1 was located. Further, the Company used BCEG 4 for Building 2 when it was constructed before the BCEG program started. The PPC violation referenced in the Company's response was previously withdrawn on April 7, 2020.

**We agree with the Bureau's observation for RCP118 regarding the application of the BCEG factors for Locations 1 and 2.**

#### **Cancellation Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The violation for TPA001 remains in the Report. The Company's response stated it resubmitted evidence that the FR-44 was submitted to the DMV. However, the Bureau is not in receipt of this information.

**As requested, we have uploaded the documentation for the Bureau's reconsideration.**

#### **Automobile Cancellations for Nonpayment of the Premium**

- (1) The violation for TPA011 remains in the Report. The Company is required to file all fees which apply to the policy with the Bureau.

**We agree with the Bureau's observations. We will file an amendment to our billing payment plan that identifies NSF fees.**

- (2) The violation for TPA007 remains in the Report. The Company's response indicates that billing screen prints have been provided from the billing system detailing the earned premium calculation. However, the billing screen prints provided were not from the system the Bureau had access to while on-site. For reconsideration, the Company must provide the following billing screen prints: transaction tab, balance tab, the amount the insured paid (payment hyperlink) and the cancellation tab from the billing system to which the Bureau had access.

**As requested, we have provided the screen prints as additional supporting documentation for reconsideration.**

#### **Insured Requested Cancellations**

The violation for TPA021 remains in the Report. The Company's response indicates that the insured's cancellation was backdated, and the Company did not receive evidence that the coverage had been replaced.

**As requested, we have provided additional supporting documentation in the form of an email between the insured and the agent showing coverage was placed elsewhere. We will amend our policy cancellation provision to honor cancellation on the effective date requested by the insured.**

### **Homeowner Cancellations Mailed Prior to the 90<sup>th</sup> Day of Coverage**

The violation for THO011 remains in the Report. The Company's response indicates that the Virginia only mailing verifications were re-submitted to the Bureau as supporting documentation. However, the Bureau is not in receipt of this information.

**As requested, we have provided the proof of mailing as additional supporting documentation for reconsideration.**

### **Commercial Automobile Terminations**

- (3) The violation for TCA007 remains in the Report. The Bureau acknowledges that the \$230.55 was not a payment, but a net deduction the agent took for the unearned premium. However, the billing screens reflect three payments of \$334 which is a total of \$1002. In addition, the Company provided another billing screen print that indicates that the total payment amount was \$771.45. Therefore, the Company must address this discrepancy. For further consideration, the Company must advise the total amount paid on the account, how much was paid by the insured, and how much was paid by the agent. Furthermore, the overcharge amount has been revised to \$94.15 (\$1002 - \$907.59 earned premium).

**We have provided additional supporting documentation for the Bureau's reconsideration related to file review TCA007, review sheet TermTermCA2073024904.**

- (4) These violations remain in the Report. The Company states that it will reinforce the policy provisions requirement of advance notice to the underwriting staff and agency staff. The Company further confirms that it will honor the insured's request within 30 days of the effective date of cancellation if proof of duplicate coverage is provided. Therefore, the Company must amend its filed forms and/or rules to reflect its practices.

**We agree with Bureau's observation and will amend our filed forms and/or rules to reflect our business practices.**

### **Commercial Property and Liability Terminations**

- (3) After further review, the violation for TCP056 has been withdrawn from the Report. The Company provided evidence that the insured sold the property.
- (4a) The violations for TCP077 remain in the Report. Review sheet TermTermCP1282221445 is not a duplicate of review sheet TermTermCPL-1309928050. The violation for review sheet TermTermCPL128222 is regarding the Company not honoring the insured's requested date of cancellation. However, the



violation for review sheet TermTermCPL1309928050 is the amount the insured is owed due to the Company not cancelling the insured's policy on the correct effective date.

**We previously agreed to the observation on TermTermCPL-1309928050 and paid the amount owed of \$14.84 to the insured on December 14, 2020.**

- (4b) These violations remain in the Report. If the Company wishes to waive the advance notice requirement, the Company must submit a filing to the Bureau to amend its filed forms and/or rules to waive the advance notice requirement.

**We agree with Bureau's observation and will amend our filed forms and/or rules to reflect our business practices.**

### **Private Passenger Automobile Claims**

- (7c) The violation for CPA094 remains in the Report. The Company needs to confirm with its insured that they did not acquire a rental vehicle while the insured vehicle was being repaired.

**We contacted the claimant by phone and letter to ask if a rental was utilized during the time the insured vehicle was being repaired. We have not received a response.**

The violation for CPA045 remains in the Report. Please provide the documentation where the Company confirmed with the insured that they did not use a rental vehicle during the repair process.

**We contacted the claimant by phone and letter to ask if a rental was utilized during the time the insured vehicle was being repaired. We have not received a response.**

The violation for CPA077 remains in the Report. The notes in the file suggest the claims adjuster did not realize there was Rental coverage on the policy. Please provide documentation where the Company confirmed with the insured that they were provided a loaner vehicle by the repair facility.

**We contacted the claimant and confirmed that no out of pocket costs were incurred for a rental vehicle. The dealer repair facility provided a rental vehicle.**

The violation for CPA084 remains in the Report. The Company failed to advise the insured the Collision Damage Waiver (CDW) was not a covered expense; the Company needs to advise and document in the claim file CDW would not be covered. The Company owes the insured 25 days of CDW expense.

**We disagree with the Bureau's observation that additional money is owed to the claimant for the CDW. The claimant chose a rental vehicle at a cost of \$44.99 per day for 25 days, which reached their maximum rental coverage limit of \$1200. Regarding the failure to advise of the CDW coverage, we have sent a letter to the**

**claimant and documented our file. A copy of that letter is included as additional supporting documentation**

- (7e) The violation for CPA063 remains in the Report. The Company should provide the revised claim file showing the changes made since the exam work completed.

**As requested, we are providing additional file documentation for reconsideration of this violation. An endorsement was processed on April 16, 2020 correcting the vehicle insured on the policy. A reserve was set for total loss coverage on May 4, 2020. Selective received additional information from the insured regarding vehicle options that needed to be included in the evaluation of the total loss on May 21, 2020. Selective issued payment for the totaled vehicle in the amount of \$37,899.40 on May 28, 2020.**

- (9) After further review, the violation for CPA052 is withdrawn from the Report.
- (11) After further review, the violation for CPA062 has been withdrawn from the Report. The Company provided sufficient information for the violation to be reconsidered.
- (15) The violation for CPA015 remains in the Report. The Company provided an invalid Assignment of Benefit (AOB) for support. The Company should review § 38.2-2201 D of the Code of Virginia for how an AOB should be worded.

**We agree with the Bureau's observation regarding the AOB language for the above referenced file. We have addressed the lack of properly worded Assignment of Benefits (AOB) forms through training with our claims examiners. We provided a sample AOB to the adjusters that contains the requirements from 38.2-2201(D), and they have been instructed to compare all AOBs against this sample.**

## Homeowner Claims

- (1) A violation for CHO004 has been added to the Report. The Company's claim file did not include the e-mail that sent the estimate to the insured.

**As requested, we are providing additional file documentation for reconsideration of this violation.**

After further review, the violation for CHO031 has been withdrawn from the Report. The Company provided the necessary documentation to support the payments issued to the insured.

The violation for CHO042 remains in the Report. The Company has provided a response that appears to be regarding another claim. The Company failed to provide support for the personal property payment of \$618.79. The insured submitted an inventory list that came to a total of \$1,492.06.

**We disagree with the Bureau's observation. The insured submitted an inventory spread sheet via email on June 29, 2019 that totaled \$1,537.31. The calculated amount of \$1492.06 does not include the quantity of (2) WiFi cameras on line 16. We have included this inventory report as additional supporting documentation for your further consideration.**

- (2c) The violations for CHO004 and CHO031 remain in the Report. The Company failed to fully disclose to the insured all the benefits provided by Additional Living Expense (ALE) coverage. For clarification, the policy reads as follows: "If a loss covered under Section I makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living." Therefore, the policy covers any additional cost that is incurred by the insured to remain in the residence to maintain its normal standard of living. The increase in electricity, food costs, etc. would be covered by the policy, and therefore, should have been explained to the insured.

**We agree with Bureau's observations that the ALE coverage benefit was not disclosed upon presentation of the loss. We will address this through continued training with our adjusters.**

- (4) After further review, the violation for CHO004 has been withdrawn from the Report. The claim file indicated that the estimate was e-mailed to the insured. However, a violation for not retaining a copy of the e-mail has been added to the Report under Item (1).

After further review, the violation for CHO010 has been withdrawn from the Report. The claim notes indicated the insured had a copy of the estimate.

- (6) The violation for CHO042 remains in the Report. The violation was not withdrawn by the Bureau. The review sheet was withdrawn and moved to a new review sheet. The insured submitted a personal property spreadsheet that totaled \$1,537.31. The insured had a deductible of \$1,000.00. Therefore, a payment should have been issued for \$537.31. The Company sent a payment for \$618.79; therefore, the Company overpaid the claim by \$81.48.

**We disagree with the Bureau's observation. The insured submitted an inventory spread sheet via email on June 29, 2019 that totaled \$1,537.31. The claim payment was issued in the amount of \$618.79, which reflects the agreed figure of \$1,537.31 plus 5.3% tax of \$81.48 for a replacement cost of \$1,618.79, less the \$1,000 deductible.**

### **Commercial Automobile Claims**

- (1) The violations for CCA016, CCA025, CCA043, CCA054, CCA063 and CCA083 remain in the Report. The technical report sent to the Company along with the Preliminary Report reflected six violations.

**For the above referenced file reviews, we have contacted all claimants by phone and letter regarding any potential rental related reimbursements, but have not received any responses.**

- (2b) After further review, the violation for CCA100 has been withdrawn from the Report. The Company was able to provide sufficient proof that the insured did not require a rental vehicle.
- (5b) After further review, the violation for CCA058 has been withdrawn from the Report. CCA058 was a duplicate claim of CCA057 that was also cited.
- (9) The violation for CCA100 (review sheet 1183632365) has been addressed under Item (2b) of the Report. The Company incorrectly referenced this review sheet under Item 9 of the Report. For reconsideration of any violations cited in Item 9, the Company should provide the correct review sheet number.

**The correct review sheet number is 1570713024. Our payment was based on the attorney's demand. We received notice of the additional amount due on March 6, 2019 and issued payment on April 2, 2019. Please see the attached additional supporting documentation detailing this information.**

- (10a) The violation for CCA060 remains in the Report. The subrogation demand has been removed from this violation; however, the delay in the demand evaluation remains. The amount of time elapsed between the Company receiving the demand and evaluating the demand was 28 days. An offer was not made for 48 days.

**We agree with the Bureau's observations on the above referenced file review. We addressed the delay with the individual adjuster for this claim file.**

- (10b) The violation for CCA009 remains in the Report. The claimant requested the rental in the initial contact. However the file failed to document whether the rental was no longer needed.

**For the above referenced file review, we have contacted the claimant by phone and letter regarding any potential rental related reimbursements, but have not received a response.**

- (11) After further review, the violation for CCA046 has been withdrawn from the Report.

### **Commercial Property Claims**

- (5b) The Company requested a copy of review sheet ClaimPropCPL1571938663 for CCP027; it has been attached for review.

**We had previously agreed with the Bureau's observation on the above referenced review sheet and completed the necessary corrective action to include the correct time (180 days) for replacement cost.**

- (6) The violation for CCP046 remains in the Report. Please provide a copy of the document referenced in the Company's response. The document was not a part of the claim file reviewed.

**As requested, we have included the document referenced in our original response as additional supporting documentation.**

#### **Auto Forms Used During the Audit Period**

- (3) The violations for FPA014 and FPA015 remain in the Report. Simply removing the coverage from the policy is not complying with the requirements of suspending and reinstating coverage in accordance with § 38.2-2205.1 of the Code of Virginia. The Reinstatement of Insurance PP-02-02-08-86 and Suspension of Insurance PP-02-01-01-05 are mandatory standard forms. In order to comply with the requirements of § 38.2-2220 of the Code of Virginia, the Company was required to have these forms available for use when suspending and reinstating coverage.

**We agree with the Bureau's observation that we did not have the mandatory suspension and reinstatement of coverage forms available for use for policies in effect during the exam period. We will implement the 2018 Personal Auto Policy program on or prior to January 1, 2022 as required, which withdraws these forms. We acknowledge that this withdrawal does not affect our responsibility to comply with § 38.2-2205.1 of the Code of Virginia to suspend and reinstate coverage properly.**

#### **Commercial Property and Liability Forms Used During the Audit Period**

- (1) Violations for FCP008 and FCP275 have been added to the Report. The Company failed to file these forms in advance of using them.

**We agree with the Bureau's observation in the above referenced file reviews. Our current practice is to file all forms that require prior approval with the Bureau.**

- (2) After further review, the violations for FCP008 and FCP275 have been withdrawn from the Report. These violations have been moved to Item (1) of the Report regarding § 38.2-317 of the Code of Virginia.

#### **Commercial Package Forms Used During the Audit Period**

- (1) Violations for FBO215 and FBO489 have been added to the Report. The Company failed to file these forms in advance of using them.

**We agree with the Bureau's observation in the above referenced file reviews. Our current practice is to file all forms that require prior approval with the Bureau.**

- (2) After further review, the violations for FBO215 and FBO489 have been withdrawn from the Report. These violations have been moved to item (1) of the Report regarding § 38.2-317 of the Code of Virginia.

### **Commercial Automobile New Business Policy Issuance**

After further review, the violations for MCA001, MCA002, MCA003, and MCA004 have been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Commercial Property and Liability New Business Policy Issuance**

- (1b) After further review, the violations for MPC001, MPC002, MPC003, MPC004, MPC005, and MPC006 have been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Commercial Property and Liability Renewal Business Policy Issuance**

- (1b) After further review, the violation for MPC007 has been withdrawn from the Report. The Company's response indicates that the policy forms list provided to the Bureau incorrectly noted an internal version identifier of "A." However, the correct form was attached to the policy and was filed with the Bureau. The Report has been renumbered to reflect this change.

### **Statutory Vehicle Notices**

- (3) The violation for NSV009 remains in the Report. Note the Company's response regarding its use of "service center" in lieu of "company"; however, the notice prescribed in § 38.2-2202 A of the Code of Virginia is specific in the language that must be used, and the Company's notice deviates from this required language.

**We disagree with the Bureau's observation. § 38.2-2202 A permits the substitute of "company" for a more accurate term. In this instance, "Service Center" is a more accurate term because the policies issued by the Company are serviced by its service centers or agents of record.**

### **Statutory Property Notices**

- (3) The violations for NSP003 and NSP007 remain in the Report. The Company's response is noted as well as the supporting documentation that was provided for review. Upon review, these violations pertain to violations of § 38.2-2126 A 1 of the Code of Virginia, specifically, the Company's Credit Score Disclosure notice. As indicated in review sheets NoticesSPP1201043660 and NoticesSPP505098784, the Company's notices did not comply with the aforementioned statute. The Company's response addressed the Credit Adverse Action notice pursuant to § 38.2-2126 A 2 of the Code of Virginia. The Credit Adverse Action notice is a different compliance issue relative to the Credit Score Disclosure notice as the former pertains to those credit factors that resulted in the applicant or policyholder failing to receive the lowest rate.

The Credit Score Disclosure notice violation pertains to the Company's failure to properly disclose to the applicant or policyholder that it will pull the credit information and that the applicant or policyholder may request that this credit information be updated, and the Company would also re-evaluate the applicant or policyholder, upon request, of this corrected credit information.

**The Company agrees with the Bureau's observations relative to review sheets NoticesSPP1201043660 and NoticesSPP505098784. The Company identified this issue prior to commencement of the examination and implemented corrective action. For policies processed on and after January 8, 2020, the Acord 38 (edition 12/2018) credit score disclosure notice is provided to the applicant/insured at the time of application/quote consistent with § 38.2-2126(A)(1).**

### Other Notices

The violation for NON032 was previously withdrawn and the Report has been updated to reflect this change.

### Agency

- (1) The violation for AY017 remains in the Report. The Company provided an application; however, the business name and policy type (Owners & Contractors) did not match the Agent – Agency Sample list provided by the Company.

The violations for AY024, AY037, AY0101, and AY104 remain in the Report. The Company's response to the review sheets indicate that an application was not obtained for the files. The Company has not provided a reason as to why the application was not obtained.

**We agree with the Bureau's observations for the above referenced file reviews. We will continue to enforce proper record maintenance and retention practices with our agency partners.**

- (2) The violations for AY104 and AY105 remain in the Report. The Bureau's records indicate that Hazar Insurance did not become an alias of Hazar Financial Services LLC until November 9, 2020, which was after the policies were issued.

**We agree with the Bureau's observation on the above referenced file reviews specific to the name change for Hazar Insurance. We will ensure any updates to agency and/or agent names are done in a timely manner.**

- (3) The violations for AY074 and AY076 remain in the Report. The Company initially reported commissions were paid to Middle Peninsula Insurance Agency by providing that entity's producer number for the two policies. The Company has not provided any documentation that Towne Insurance Agency merged with this agency. Further, the Bureau's records indicate that Middle Peninsula Insurance Agency did not file the trade

name of Towne Insurance Agency until July 20, 2020, which was after the policies were cited.

**We agree with the Bureau's observation on the above referenced file reviews specific to the entity name change and merger of Middle Peninsula Insurance Agency and Town Insurance Agency. We will ensure any updates to agency and/or agent names are done in a timely manner.**

After further review, the violation for AY075 has been withdrawn from the Report. The Company initially provided the producer number for Towne Insurance Agency as receiving commissions and provided the name of Middle Insurance Agency, which was filed as a trade name.

## **Agent**

- (1) The violations for AG001, AG002, AG035, AG097, and AG108 remain in the Report. The Company's response indicates that an application was not obtained. The Company has not provided a reason as to why the application was not obtained.

**We agree with the Bureau's observations on the above referenced files. We will continue to work with our Agency partners to ensure that applications are maintained in accordance with Company and state guidelines.**

- (2) The violations for AG134, AG135, AG136, AG137, AG138 and AG139 remain in the Report. The Company indicated that the agency name was Elizabeth Mitchell Inge DBA Elbridge G. Coles Insurance Agency. However, the Bureau records did not reflect that Elizabeth Inge was listed as an agency. The Bureau records indicated that Elizabeth Inge was an agent and her appointment with the Company was canceled effective October 9, 2018, which was before the policies were issued. These agent violations were moved from the following agency BOI reference numbers: AY054, AY055, AY056, AY057, AY058, and AY059.

**We agree with the Bureau's observation on the above referenced files. We have updated our records to reflect the correct information for this agency.**

## **Complaint-Handling Process Review**

The violation for CR001 remains in the Report. The Bureau's records reflect Complaint 114823 involved a commercial general liability (GL) policy written by Selective Insurance Company of America. The Company's response stated the policy was written by Selective Insurance Company of South Carolina, but the Company provided a commercial auto declarations page written by Selective Insurance Company of the Southeast. Contrary to the Company's response, the examination included commercial lines policies, and therefore, this GL policy complaint should have been included in the complaint log provided for one of the Companies. The Companies did not provide any documentation reflecting complaint 112718 was recorded under the wrong company. Additionally, the complaint log failed to record the time it took to process each complaint and did not specify the Company involved in the complaints.



**We agree with the Bureau's observation regarding complaint 114823. We will be sure to maintain and provide a log that accurately reflects the correct information upon request.**

The violation for CR002 remains in the Report. The complaint log did not record the time it took to process each complaint and did not specify the Company involved in the complaints. However, the Bureau acknowledges that complaint 115137 was incorrectly filed under Selective Insurance Company of South Carolina instead of Selective Insurance Company of the Southeast. The Companies should have specified that the complainant filed the complaint for the wrong insurance company so the Bureau could have recorded the complaint for the correct Company.

**We agree with the Bureau's observation regarding our complaint log. We will be sure to maintain and provide a log that accurately reflects the information required upon request.**

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

### **Rating And Underwriting Review**

- (3) The overcharge for RHO018 has increased from \$17 to \$45 after withdrawing one of the violations. The Company should reimburse the insured for the additional \$28 overcharge and additional six percent interest reflected on the Revised Restitution spreadsheet.

The overcharge for RHO027 has increased from \$114 to \$158 after withdrawing one of the violations. The Company should reimburse the insured for the additional \$44 overcharge and additional six percent interest reflected on the Revised Restitution spreadsheet.

The Company should make all outstanding restitution indicated on the Revised Restitution Spreadsheet.

**We have made all restitution and interest payments for all confirmed violations. The restitution spreadsheet has been provided to the Bureau as requested.**

- (10) This item has been removed from this section of the Report.

### **Terminations**

- (4) This corrective action has been amended to advise the insured of the availability of other insurance through the VAIP, not the VPIA.
- (5) This corrective action remains in the Report as there was more than one occurrence of this violation.

**We will continue to enforce and provide training on our termination procedures which require that we obtain and retain valid proof of mailing.**

- (6) This corrective action remains in the Report as there was more than one occurrence of this violation.

**We will review our billing procedures, our payment plan fees, and our payment plan filings. We will amend any rules inconsistent with our application of payment plan fees.**

- (7) After further review, this corrective action has been withdrawn from the Report.
- (8) After further review, this corrective action has been withdrawn from this section of the Report and has been addressed in Part Three.
- (9) After further review, this corrective action has been withdrawn from this section of the Report and has been addressed in Part Three.

### **Claims**

- (3) The restitution for CPA012 has been amended to \$15.

The restitution for CPA029 has been amended to \$3,890.

The Company should make all outstanding restitution indicated on the Revised Restitution Spreadsheet.

**We have made all restitution and interest payments for all confirmed violations. The restitution spreadsheet has been provided to the Bureau as requested.**

### **Forms**

- (3) This item remains in the Report. Pursuant to § 38.2-2205.1 of the Code of Virginia, insurers must suspend and reinstate motor vehicle coverage when requested by military policyholders. The Companies cannot simply remove the coverage by endorsement to satisfy the statute. The Suspension of Insurance and Reinstatement of Insurance forms are automatically filed on every insurer's behalf in Virginia for that purpose. As such, the Companies are required to have the mandatory standard auto forms for suspending and reinstating coverage pursuant to § 38.2-2220 of the Code of Virginia. Please note that the Suspension and Reinstatement of Insurance forms will be withdrawn from use pursuant to Administrative Order AO 12113 upon the Companies implementing the 2018 Personal Auto Policy program, which is available for use as of January 1, 2021 and must be used no later than January 1, 2022. The withdrawal of these forms does not affect the Companies' responsibility to comply with § 38.2-2205.1 of the Code of Virginia to suspend and reinstate insurance coverage properly.

**We agree with the Bureau's observation that we did not have the mandatory suspension and reinstatement of coverage forms available for use for policies in**

**effect during the exam period. We will implement the 2018 Personal Auto Policy program on or prior to January 1, 2022 as required, which withdraws these forms. We acknowledge that this withdrawal does not affect our responsibility to comply with § 38.2-2205.1 of the Code of Virginia to suspend and reinstate coverage properly.**

### **Policy Issuance**

- (2) This corrective action remains in the Report as the Bureau observed several occurrences by the Company.

**We have updated our practices to include the Important Information Regarding your Insurance notice with all new and renewal policies.**

- (4) After further review, this corrective action has been removed from the Report.

- (5) This corrective action remains in the Report as the Bureau observed more than one occurrence by the Company.

**We have updated our practices to include the Ordinance and Law notice as required by the Code of Virginia.**

- (6) This corrective action remains in the Report as the Bureau observed more than one occurrence by the Company.

**We have updated our practices to include the Flood Exclusion notices as required by the Code of Virginia.**

### **Licensing and Appointment Review**

- (1) This corrective action remains in the Report, as the Bureau observed several occurrences by the Company.

- (2) This corrective action remains in the Report, as there was more than one occurrence of this action.

- (3) This corrective action remains in the Report, as the Bureau observed several occurrences by the Company.

**We will continue to enforce with our agency partners the policies and procedures regarding access to records and records retention. Further, we will continue to emphasize strict adherence to licensing and appointment procedures.**

### **Complaint-Handling Process Review**

- (1) This item remains in the Report. The complaint logs did not include all the information required by the statute.

**We agree with the Bureau's observation and will be sure to include a complete, unfiltered log when requested in the future.**

### **PART THREE – RECOMMENDATIONS**

#### **Policy Issuance Process**

- The policy forms list on the declarations page should be updated to remove the internal "A" identifier at the end of the form name if the attached form number does not include this information.

**We agree with the Bureau's recommendation and are making the requested changes with regard to the forms version identifiers.**

\*\*\*

Please let us know if you need any further information or clarification on our response.

Sincerely,

*Mattia Scharfstein*

# COMMONWEALTH OF VIRGINIA

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



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August 27, 2021

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has reviewed the May 14, 2021 response to the Revised Market Conduct Report (Report) of the above-referenced companies (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile Renewal Business Rating

- (1) After further review, the violation for RPA029 has been withdrawn from the Report. The garaging address is a condition of the subject of insurance. However, the declarations page did display the zip code of the garaging address. This violation is now reflected as a Recommendation. The Report has been renumbered to reflect this change.
- (3h) The violation for RPA028 remains in the Report. The difference in the uncapped premium is due to the symbol violations on the policy. The uncapped premium amount of \$2,525 was developed by the Company using incorrect symbol

factors for the four vehicles shown on the declarations page. Using the correct symbol factors, the Bureau arrived at an uncapped premium of \$2,511.

The violation for RPA035 remains in the Report. The Company provided a worksheet as part of its response; however, the worksheet used daytime running lights factors that were not on file with the Bureau. The Company applied a .95 factor for the daytime running lights; however, the factor on file was .98. Additionally, the Company applied a .95 factor to the medical expense coverage. The filed rates pages showed a factor of 1.00 under medical expense coverage for the daytime running lights discount. The uncapped premium using the correct daytime running lights discount factors was \$1,901.

The violation for RPA037 remains in the Report. The Company's filed rule did not specify the Premium Capping would not reflect changes made as of the policy effective date of the policy, in addition, the Company did not provide the requested information for reconsideration.

### **Homeowner Renewal Business Rating**

(b) After further review, the violation for RHO075 has been withdrawn from the Report. The Company provided the filed rule number, EQ-1, that allowed the insured to select construction type masonry when purchasing the earthquake coverage for a masonry veneer construction. The restitution spreadsheet has been updated to reflect this change.

(c) The violation for RHO063 remains in the Report. The Company provided an e-mail that did not specify the PPC for RHO063 was corrected to 5 in the policy file. The Worksheet obtained from the Company's system during the examination specified the PPC used was 6, not 5. Further, the Company's "Insured Information" system screen also specified PPC 6 was used as of October 21, 2019 when the examiner retrieved the information. For reconsideration, the Company must provide evidence that the PPC was reflected as 5 in the policy file prior to the Bureau's review. The Company incorrectly addressed this violation under Item (d) in its response.

(d) The response for RHO063 has been addressed in Item (c) to follow the numbering of the Report.

(e) After further review, the violations for RHO036 and RHO053 have been withdrawn from the Report. It is acknowledged that the Company has since submitted a filing with the Bureau to correct this issue. The Company incorrectly addressed this violation under Item (f) of its response.

After further review, the violation for RHO072 has been withdrawn from the Report. The Company provided supporting documentation of the previous program premium supporting the rate capping factor used by the Company.

(f) The response for RHO036, RHO053 and RHO072 have been addressed in Item (e) to follow the numbering of the Report.

### **Commercial Property and Liability New Business Rating**

- (4a) After further review, the violation for RCP017 has been withdrawn from the Report. The Company provided adequate evidence to support the Loss Free Discount.
- (4e) After further review, the violations for RCP021 have been withdrawn from the Report. The Company provided the necessary BCEG documentation.
- (4j) After further review, the violation for RCP057 has been withdrawn from the Report. The Company provided the necessary calculation breakdown to support the interpolation factor used to rate the policy.

### **Commercial Property and Liability Renewal Business Policies**

- (4c) After further review, one violation for RCP104 has been withdrawn from the Report. The Company provided the requested documentation regarding the number of days insured for the Special Events exposure.

### **Cancellation Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The violation for TPA001 remains in the Report. The information provided by the Company did not provide evidence that the SR-26 was submitted to the Department of Motor Vehicles (DMV).

### **Automobile Cancellations for Nonpayment of the Premium**

- (2) The violation for TPA007 remains in the Report. The Company's previous response indicated that the insured incurred \$20 in late fees in lieu of \$10 as stated in the Bureau's review sheet. However, the information provided by the Company confirms that the insured only owed \$10 in late fees.

### **Insured Requested Cancellations**

After further review, the violation for TPA021 has been withdrawn from the Report. The Company provided an email from the insured as evidence that coverage was placed elsewhere.

### **Homeowner Cancellations Mailed Prior to the 90<sup>th</sup> Day of Coverage**

The violation for THO011 remains in the Report. The proof of mailing provided by the Company was evidence of bulk mailing, this method of mailing was previously provided by the Company. As mentioned in previous correspondence, bulk mailing is not a valid form of proof of mailing in Virginia. Please review § 38.2-2113 A 1 b of the Code of Virginia for information on valid proof of mailing.

### **Commercial Automobile Terminations**

- (3) After further review, the violation for TCA007 has been withdrawn from the Report. The company has provided the requested documentation.

### **Private Passenger Automobile Claims**

- (7c) The violation for CPA094 remains in the Report. The Company should provide a copy of the correspondence sent to the insured regarding the rental.
- The violation for CPA045 remains in the Report. The Company should provide a copy of the correspondence sent to the insured regarding the rental.
- The violation for CPA077 is being moved to a violation of 14 VAC 5-400-40 A for not fully disclosing the rental benefits on the policy.
- The violation for CPA084 is being moved to a violation of 14 VAC 5-400-40 A as the Company's decision to not fully disclose the rental benefits to the insured in this instance cost the insured \$474.75.
- (7e) The violation for CPA063 remains in the Report. The underpayment amount has been amended to \$35,625.44.

### **Homeowner Claims**

- (1) After further review, the violation for CHO042 has been withdrawn from the Report. The Company provided an explanation and documentation to support the personal property payment of \$618.79.
- (6) After further review, the violation for CHO042 has been withdrawn from the Report. The Company provided an explanation and documentation to support the personal property payment of \$618.79.

### **Commercial Automobile Claims**

- (1) The violations for CCA016, CCA025, CCA043, CCA054, CCA063, and CCA083 remain in the Report. The files all related to missing file documentation. The bulk of these violations were for missing repair estimates, these violations did not relate to rental reimbursement.
- (9) After further review, the violation for CCA028 has been withdrawn from the Report.
- (10b) The violation for CCA009 remains in the Report. For reconsideration please provide the letter sent to the claimant regarding the rental.

### **Commercial Property Claims**

- (6) The violation for CCP046 remains in the Report. The underpayment has been amended to \$536.66. The document provided shows Tricare paid \$536.66 for the services provided on February 2, 2019. Since this medical expense was incurred, the Company owes this amount under the Medical Expense Benefits coverage. For reconsideration, the Company should provide documentation that reflects if and when it paid the claimant or Tricare for these services.

### **Statutory Vehicle Notices**

- (3) The violation for § 38.2-2202 A remains in the Report. This Virginia Code Section requires that the Company must enclose the "following statement"; this prescribed statement does not use the term "Service Center".



### PART THREE – RECOMMENDATIONS

- When the garaging and mailing addresses are different on auto policies, the Companies should specify both complete addresses on the declarations page.

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. The Companies' response to this letter is due in the Bureau's office by October 8, 2021.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by October 8, 2021.

Sincerely,



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

ADB/pgh  
Attachments

## Andrea Baytop

---

**From:** Mattia Scharfstein <Mattia.Scharfstein@selective.com>  
**Sent:** Friday, October 8, 2021 3:37 PM  
**To:** Andrea Baytop  
**Cc:** Melody Morrissette; Pam Henry; Mardrell Mitchell; Reba Jones; Maria Orecchio  
**Subject:** RE: VA BOI-Selective Revised Report 8/27/21  
**Attachments:** BOI Response Selective 08.27.21.docx; Copy of Selective Restitution 08.27.2021.xlsx

Good Afternoon.

I hope this email finds you all well. We have attached our response to the open items and updated restitution spreadsheet to this email. We have added supporting documents in BOX in the Selective External/ Supporting Documents 10.8.21 (screenshot below)

We would like to request a brief conference call to review our response to file RPA037 before the Bureau finalizes its decision on our capping procedures if our explanation isn't sufficient.

Thank You,  
We look forward to hearing from you.  
Mattia Scharfstein

# COMMONWEALTH OF VIRGINIA

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



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August 27, 2021

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has reviewed the May 14, 2021 response to the Revised Market Conduct Report (Report) of the above-referenced companies (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile Renewal Business Rating

- (1) After further review, the violation for RPA029 has been withdrawn from the Report. The garaging address is a condition of the subject of insurance. However, the declarations page did display the zip code of the garaging address. This violation is now reflected as a Recommendation. The Report has been renumbered to reflect this change.
- (3h) The violation for RPA028 remains in the Report. The difference in the uncapped premium is due to the symbol violations on the policy. The uncapped premium amount of \$2,525 was developed by the Company using incorrect symbol

factors for the four vehicles shown on the declarations page. Using the correct symbol factors, the Bureau arrived at an uncapped premium of \$2,511.

**We agree with the Bureau's observation, that the uncapped premium amount was incorrect due to the underlying factors that were incorrect.**

The violation for RPA035 remains in the Report. The Company provided a worksheet as part of its response; however, the worksheet used daytime running lights factors that were not on file with the Bureau. The Company applied a .95 factor for the daytime running lights; however, the factor on file was .98. Additionally, the Company applied a .95 factor to the medical expense coverage. The filed rates pages showed a factor of 1.00 under medical expense coverage for the daytime running lights discount. The uncapped premium using the correct daytime running lights discount factors was \$1,901.

**We agree with the Bureau's observation, that the uncapped premium amount was incorrect due to the underlying factors that were incorrect.**

The violation for RPA037 remains in the Report. The Company's filed rule did not specify the Premium Capping would not reflect changes made as of the policy effective date of the policy, in addition, the Company did not provide the requested information for reconsideration.

**We disagree with Bureau's observation about the capping rule and its application. We have provided further information demonstrating the application of a 1.0857 renewal capping factor on transactions after the renewal issue, regardless of effective date. Our capping rule states we calculate the rate change by comparing the renewing risk profile at (i) the prior rates to (ii) the proposed rates. Capping is not recalculated once the renewal transaction is issued. To temper premium changes, the factor developed to create the capped premium is carried forward to any additional transactions on the policy. We cannot provide the Bureau's requested documentation showing the prior program premium compared to the current program premium for any transaction after the renewal issues. We, however, have provided additional screenshots for each transaction that demonstrates the application of the capping factor to those subsequent transactions.**

**We filed an amendment to our capping rule in SELC-132525451, approved on October 14, 2020. As additional supporting information, we have submitted the changes noted on pages 179 (final) and 199 (mark-up).**

### **Homeowner Renewal Business Rating**

- (b) After further review, the violation for RHO075 has been withdrawn from the Report. The Company provided the filed rule number, EQ-1, that allowed the insured to select construction type masonry when purchasing the earthquake coverage for a masonry veneer construction. The restitution spreadsheet has been updated to reflect this change.
- (c) The violation for RHO063 remains in the Report. The Company provided an e-mail that did not specify the PPC for RHO063 was corrected to 5 in the policy file. The Worksheet obtained from the Company's system during the examination specified the PPC used was 6, not 5. Further, the Company's

“Insured Information” system screen also specified PPC 6 was used as of October 21, 2019 when the examiner retrieved the information. For reconsideration, the Company must provide evidence that the PPC was reflected as 5 in the policy file prior to the Bureau’s review. The Company incorrectly addressed this violation under Item (d) in its response.

We agree with the Bureau’s observation. We note that the error was identified prior to the start of the exam and was corrected in our policy administration system as of 11/10/2018. There was no difference in premium and the policy was cancelled effective 07/11/2019. Since the customer is no longer a customer of Selective we do not have an active policy to update and provide further documentation.

(d) The response for RHO063 has been addressed in Item (c) to follow the numbering of the Report.

(e) After further review, the violations for RHO036 and RHO053 have been withdrawn from the Report. It is acknowledged that the Company has since submitted a filing with the Bureau to correct this issue. The Company incorrectly addressed this violation under Item (f) of its response.

After further review, the violation for RHO072 has been withdrawn from the Report. The Company provided supporting documentation of the previous program premium supporting the rate capping factor used by the Company.

RHO036 which shows as \$35 plus interest being due on the restitution spreadsheet, we believe the return premium criticism was withdrawn.

For RHO053, which shows \$16 plus interest being due on the restitution spreadsheet, we believe the return premium criticism was withdrawn.

(f) The response for RHO036, RHO053 and RHO072 have been addressed in Item (e) to follow the numbering of the Report.

### **Commercial Property and Liability New Business Rating**

(4a) After further review, the violation for RCP017 has been withdrawn from the Report. The Company provided adequate evidence to support the Loss Free Discount.

(4e) After further review, the violations for RCP021 have been withdrawn from the Report. The Company provided the necessary BCEG documentation.

(4j) After further review, the violation for RCP057 has been withdrawn from the Report. The Company provided the necessary calculation breakdown to support the interpolation factor used to rate the policy.

### **Commercial Property and Liability Renewal Business Policies**

- (4c) After further review, one violation for RCP104 has been withdrawn from the Report. The Company provided the requested documentation regarding the number of days insured for the Special Events exposure.

#### **Cancellation Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The violation for TPA001 remains in the Report. The information provided by the Company did not provide evidence that the SR-26 was submitted to the Department of Motor Vehicles (DMV).

At this time, we have no additional information to provide as evidence of electronic transmission to the DMV of the SR-26. We maintain that our electronic reporting process is compliant with the DMV standard, but will ensure that file documentation can better demonstrate this going forward.

#### **Automobile Cancellations for Nonpayment of the Premium**

- (2) The violation for TPA007 remains in the Report. The Company's previous response indicated that the insured incurred \$20 in late fees in lieu of \$10 as stated in the Bureau's review sheet. However, the information provided by the Company confirms that the insured only owed \$10 in late fees.

We disagree with the Bureau's observation. The original review sheet noted \$25 in billing fees and \$10 in late fees and the correct amount is \$20 in billing fees and \$10 in late fees. The original review sheet also calculates \$374.10 in pro-rated premium, and that number is rounded to \$375.00 in our system. As a result, the correct premium due and paid is \$405. We have updated the supporting documentation to clarify this information.

#### **Insured Requested Cancellations**

After further review, the violation for TPA021 has been withdrawn from the Report. The Company provided an email from the insured as evidence that coverage was placed elsewhere.

#### **Homeowner Cancellations Mailed Prior to the 90<sup>th</sup> Day of Coverage**

The violation for THO011 remains in the Report. The proof of mailing provided by the Company was evidence of bulk mailing, this method of mailing was previously provided by the Company. As mentioned in previous correspondence, bulk mailing is not a valid form of proof of mailing in Virginia. Please review § 38.2-2113 A 1 b of the Code of Virginia for information on valid proof of mailing.

We agree with the Bureau's observation and have confirmed correct mail types in accordance with § 38.2-2113 A 1 b are in use going forward.

#### **Commercial Automobile Terminations**

- (3) After further review, the violation for TCA007 has been withdrawn from the Report. The company has provided the requested documentation.

### Private Passenger Automobile Claims

(7c) The violation for CPA094 remains in the Report. The Company should provide a copy of the correspondence sent to the insured regarding the rental.

The violation for CPA045 remains in the Report. The Company should provide a copy of the correspondence sent to the insured regarding the rental.

The violation for CPA077 is being moved to a violation of 14 VAC 5-400-40 A for not fully disclosing the rental benefits on the policy.

The violation for CPA084 is being moved to a violation of 14 VAC 5-400-40 A as the Company's decision to not fully disclose the rental benefits to the insured in this instance cost the insured \$474.75.

For CPA094, CPA045 and CPA084, see attached the correspondence sent to the insured regarding the rental. We ask that you review this correspondence for reconsideration of these violations.

We agree with the Bureau's observation for CPA077.

(7e) The violation for CPA063 remains in the Report. The underpayment amount has been amended to \$35,625.44.

We agree with the Bureau's observation for CPA063. The restitution spreadsheet has been updated to reflect payment made.

### Homeowner Claims

(1) After further review, the violation for CHO042 has been withdrawn from the Report. The Company provided an explanation and documentation to support the personal property payment of \$618.79.

(6) After further review, the violation for CHO042 has been withdrawn from the Report. The Company provided an explanation and documentation to support the personal property payment of \$618.79.

### Commercial Automobile Claims

(1) The violations for CCA016, CCA025, CCA043, CCA054, CCA063, and CCA083 remain in the Report. The files all related to missing file documentation. The bulk of these violations were for missing repair estimates, these violations did not relate to rental reimbursement.

We agree with the Bureau's observations for CCA016, CCA025, CCA043, CCA054, CCA063 and CCA083. We have revised our processes to retain a copy of all documentation including the estimate in the claim file. We will also document delivery of repair estimates to the claimant.

(9) After further review, the violation for CCA028 has been withdrawn from the Report.

(10b) The violation for CCA009 remains in the Report. For reconsideration please provide the letter sent to the claimant regarding the rental.

For CCA009, see attached the correspondence sent to the insured regarding the rental. We ask that you review this correspondence for reconsideration of this violation.

### Commercial Property Claims

- (6) The violation for CCP046 remains in the Report. The underpayment has been amended to \$536.66. The document provided shows Tricare paid \$536.66 for the services provided on February 2, 2019. Since this medical expense was incurred, the Company owes this amount under the Medical Expense Benefits coverage. For reconsideration, the Company should provide documentation that reflects if and when it paid the claimant or Tricare for these services.

We agree with the Bureau's observations for CCP046. The restitution spreadsheet has been updated to reflect payment made.

### Statutory Vehicle Notices

- (3) The violation for § 38.2-2202 A remains in the Report. This Virginia Code Section requires that the Company must enclose the "following statement"; this prescribed statement does not use the term "Service Center".

We agree with the Bureau's observation and have made the changes to our notice. A copy is attached as additional supporting documentation.

### PART THREE – RECOMMENDATIONS

- When the garaging and mailing addresses are different on auto policies, the Companies should specify both complete addresses on the declarations page.

We have made changes to our policy administration system as of to address this concern. An example of the change to our Declarations pages is provided as additional supporting documentation.

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. The Companies' response to this letter is due in the Bureau's office by October 8, 2021.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by October 8, 2021.

Sincerely,



Andrea D. Baytop, AMCM  
Manager, Market Conduct Section



Ms. Mitchell  
August 27, 2021  
Page 7 of 7

Property & Casualty Division  
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[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

ADB/pgh  
Attachments

# COMMONWEALTH OF VIRGINIA



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

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November 17, 2021

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has reviewed the October 8, 2021 response to the Revised Market Conduct Report (Report) of the above-referenced companies. The Bureau's response only addresses the Companies' rebuttals or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile Renewal Business Rating

(2h) After further review, the violation for RPA037 has been withdrawn from the Report. The Company provided the requested documentation to determine the rate cap.

The Company referenced this item under (3h) of the Bureau's August 27, 2021 Response letter instead of item (2h) of the Revised Report.

- (3h) The Bureau addressed this item under (2h) to correspond with the Revised Report.

### **Homeowner Renewal Business Rating**

- (e) The violation for RHO036 remains in the Report with an overcharge of \$64. The Restitution Spreadsheet was previously adjusted to reflect the withdrawal of review sheet R&URBHO1572015967 and the resulting increase to the overcharge as provided in review sheet R&URBHO1585085348.

The violation for RHO053 remains in the Report with an overcharge of \$16. The Restitution Spreadsheet was previously adjusted to reflect the withdrawal of review sheet R&URBHO2950985 and the resulting overcharge in review sheet R&URBHO1376785863.

### **Private Passenger Automobile Cancellations for Nonpayment of the Premium**

- (2) The violation for TPA007 remains in the Report. The Company's response indicates there were only four billing fees charged for this policy file. After further review the Bureau agrees with the Company and has amended the billing fees amount to \$20. Additionally, the Company's response indicates the insured paid \$92 on August 14, 2018. However, the supporting documentation provided by the Company reflects that the insured paid \$87. Therefore, the undercharge has been amended as follows:  $\$374.10$  (earned premium) +  $\$10$  (late fee) +  $\$20$  (billing fees) -  $\$400$  (insured payments) =  $\$4.10$ .

### **Private Passenger Automobile Claims**

- (2c) The violation for CPA084 remains in the Report. The Company failed to properly inform the insured that the Collision Damage Waiver coverage was unnecessary for the car rental, and therefore, the charges would not be reimbursed. The Company referenced this violation under item (7c) below.

- (7c) The violations for CPA045 and CPA094 remain in the Report. There was no verification whether an expense was incurred or not. The underpayments have been removed, but the Bureau has requested the Company to send another letter informing each insured that their response may result in an additional payment if rental expenses were incurred. Should the insured respond, the Company should update the Restitution Spreadsheet with the amount paid.

The violation for CPA084 has already been moved to a 14 VAC 5-400-40 A violation and no restitution is being requested for this item. Please see item (2c) above.

### **Commercial Automobile Claims**

- (10b) The violation for CCA009 remains in the Report. There was no verification whether an expense was incurred or not. The underpayment has been removed, but the Bureau has requested the Company to send another letter informing the insured that their response may result in an additional payment if rental expenses were incurred. Should the insured respond, the Company should update the Restitution Spreadsheet with the amount paid.

## PART TWO – CORRECTIVE ACTION PLAN

### Rating

- (3) Please provide the requested payment information for the outstanding restitution highlighted within the Restitution Spreadsheet.

### Claims

- (3) Please provide the requested payment information for the outstanding restitution highlighted within the Restitution Spreadsheet.

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

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by December 3, 2021.

Sincerely,



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



**December 3, 2021**

**VIA E-MAIL DELIVERY**

Andrea Baytop, AMCM  
Manager, Market Conduct Section, Property & Casualty Division  
Virginia State Corporation Commission  
Bureau of Insurance  
P.O.Box 1157  
Richmond, VA 23218  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC#19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Baytop:

We have received your reply of November 17, 2021 in response to the above referenced Market Conduct Exam. We address below the outstanding items. Any supporting documentation has been submitted via the secure portal.

### **PART ONE – EXAMINERS’ OBSERVATIONS**

#### **Homeowner Renewal Business Rating**

(e) The violation for RHO036 remains in the Report with an overcharge of \$64. The Restitution Spreadsheet was previously adjusted to reflect the withdrawal of review sheet R&URBHO1572015967 and the resulting increase to the overcharge as provided in review sheet R&URBHO1585085348.

The violation for RHO053 remains in the Report with an overcharge of \$16. The Restitution Spreadsheet was previously adjusted to reflect the withdrawal of review sheet R&URBHO2950985 and the resulting overcharge in review sheet R&URBHO1376785863.



**We agree with the Bureau's observations for RHO036 and RHO053. The restitution spreadsheet has been updated to reflect the additional payments.**

#### **Private Passenger Automobile Cancellations for Nonpayment of the Premium**

- (2) The violation for TPA007 remains in the Report. The Company's response indicates there were only four billing fees charged for this policy file. After further review the Bureau agrees with the Company and has amended the billing fees amount to \$20. Additionally, the Company's response indicates the insured paid \$92 on August 14, 2018. However, the supporting documentation provided by the Company reflects that the insured paid \$87. Therefore, the undercharge has been amended as follows: \$374.10 (earned premium) + \$10 (late fee) + \$20 (billing fees) - \$400 (insured payments) = \$4.10.

**We agree with the Bureau's observations.**

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

- (2c) The violation for CPA084 remains in the Report. The Company failed to properly inform the insured that the Collision Damage Waiver coverage was unnecessary for the car rental, and therefore, the charges would not be reimbursed. The Company referenced this violation under item (7c) below.
- (7c) The violations for CPA045 and CPA094 remain in the Report. There was no verification whether an expense was incurred or not. The underpayments have been removed, but the Bureau has requested the Company to send another letter informing each insured that their response may result in an additional payment if rental expenses were incurred. Should the insured respond, the Company should update the Restitution Spreadsheet with the amount paid.

The violation for CPA084 has already been moved to a 14 VAC 5-400-40 A violation and no restitution is being requested for this item. Please see item (2c) above.

**We agree with the Bureau's observation for CPA045 and CPA094. Revised letters were mailed out in mid-November; copies of the letters will be uploaded to the portal. We have not heard from either claimant, so we have not made additional payments as of yet.**

#### **Commercial Automobile Claims**

- (10b) The violation for CCA009 remains in the Report. There was no verification whether an expense was incurred or not. The underpayment has been removed, but the Bureau has requested the Company to send another letter informing the insured that their



response may result in an additional payment if rental expenses were incurred. Should the insured respond, the Company should update the Restitution Spreadsheet with the amount paid.

**We agree with the Bureau's observation for CCA009. A revised letter was mailed out in mid-November; a copy of the letter will be uploaded to the portal. We have not heard from the claimant, so we have not made an additional payment as of yet.**

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

### **Rating**

- (3) Please provide the requested payment information for the outstanding restitution highlighted within the Restitution Spreadsheet.

**The restitution spreadsheet has been updated.**

### **Claims**

- (3) Please provide the requested payment information for the outstanding restitution highlighted within the Restitution Spreadsheet.

**No additional payments have been made as of yet, so the Claims tab of the restitution spreadsheet has not been updated.**

\*\*\*

Please let us know if you need any further information or clarification on our response.

Sincerely,  
*Mattia Scharfstein*

# 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)**

February 18, 2022

## VIA E-MAIL DELIVERY

Mardrell Mitchell, MS, MCM  
Compliance Specialist, Southern Region  
Selective Insurance Company of America  
40 Wantage Avenue  
Branchville, NJ 07890  
[Mardrell.Mitchell@selective.com](mailto:Mardrell.Mitchell@selective.com)

RE: Market Conduct Examination  
Selective Insurance Company of America, NAIC #12572  
Selective Insurance Company of South Carolina, NAIC #19259  
Selective Way Insurance Company, NAIC #26301  
Examination Period: July 1, 2018 – June 30, 2019

Dear Ms. Mitchell:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of December 3, 2021. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Attached is the final Market Conduct Examination Report of Selective Insurance Company of America, Selective Insurance Company of South Carolina, and Selective Way Insurance Company (Report).

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

Sections 38.2-231 A; 38.2-231 J; 38.2-305 A; 38.2-305 B; 38.2-317 A; 38.2-510 A 1; 38.2-511; 38.2-604 C; 38.2-610 A; 38.2-1318 C; 38.2-1822 A; 38.2-1833; 38.2-1905 A; 38.2-1906 A; 38.2-1906 D; 38.2-1906.1; 38.2-2113 A; 38.2-2114 A; 38.2-2118; 38.2-2124; 38.2-2125; 38.2-2126 A 1; 38.2-2202 A; 38.2-2202 B; 38.2-2220; and 38.2-2234 A 1 of the Code of Virginia; and 14 VAC 5-400-40 A; 14 VAC 5-400-70 D; and 14 VAC 5-400-80 D of the Virginia Administrative Code.

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



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

Sincerely,

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

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

ADB/pgh  
Attachment

# SELECTIVE INSURANCE®

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*EVP, General Counsel & Chief Compliance Officer*  
Selective Insurance Company of America  
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February 24, 2022

**VIA OVERNIGHT MAIL**

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

RE: Market Conduct Examination Settlement Offer  
Ecase/Docket Number: INS-2022-00024  
Selective Insurance Company of America, NAIC No. 2572; Selective Insurance Company of South Carolina, NAIC No. 19259; and Selective Way Insurance Company, NAIC No. 26301 (Collectively, the "Selective Companies")

Dear Deputy Commissioner Nichols:

Thank you for the Bureau of Insurance's February 23rd letter about this matter.

The Selective Companies wish to make a settlement offer for the alleged violations of Code of Virginia §§ 38.2-231 A; 38.2-231 J; 38.2-305 A; 38.2-305 B; 38.2-317 A; 38.2-510 A 1; 38.2-511; 38.2-604 C; 38.2-610 A; 38.2-1318 C; 38.2-1822 A; 38.2-1833; 38.2-1905 A; 38.2-1906 A; 38.2-1906 D; 38.2-1906.1; 38.2-2113 A; 38.2-2114 A; 38.2-2118; 38.2-2124; 38.2-2125; 38.2-2126 A 1; 38.2-2202 A; 38.2-2202 B; 38.2-2220; and 38.2-2234 A 1; and Virginia Administrative Code §§ 14 VAC 5-400-40 A; 14 VAC 5-400-70 D; and 14 VAC 5-400-80 D, indicating a general business practice.

We make this offer solely for settlement purposes, and we do not admit to any violation of law – nor should this offer be construed or interpreted as such an admission.

1. We enclose a check payable to the Treasurer of Virginia for \$99,900.
2. We agree to comply with the corrective action plan the Selective Companies detailed in letters of December 15, 2020, May 14 and December 3, 2021, and an e-mail of October 8, 2021.
3. We confirm the Selective Companies made restitution to 110 consumers totaling \$65,026.45 per our letters of December 15, 2020, May 14 and December 3, 2021, and e-mails of October 8, 2021 and January 11, 2022.
4. The Selective Companies acknowledge their right to a hearing before the State Corporation Commission about this matter waive that right if the State Corporation Commission accepts this settlement offer.

Sincerely,



Enclosure (1)

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 22, 2022

220304045  
SOS-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER  
2022 MAR 22 P 2: 09

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2022-00024

SELECTIVE INSURANCE COMPANY OF AMERICA,  
SELECTIVE INSURANCE COMPANY OF  
SOUTH CAROLINA,  
SELECTIVE WAY INSURANCE COMPANY,  
Defendants

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Selective Insurance Company of America, Selective Insurance Company of South Carolina, and Selective Way Insurance Company (collectively, "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated §§ 38.2-231 A, 32.2-2113 A, and 38.2-2114 A of the Code of Virginia ("Code") by failing to terminate insurance policies properly; § 38.2-231 J of the Code by failing to retain proof of mailing of cancellation notices sent to insureds; § 38.2-305 A of the Code by failing to include the required information in the insurance policy; §§ 38.2-305 B, 38.2-2124, and 38.2-2125 of the Code by failing to provide the required notices to insureds; § 38.2-317 A of the Code by failing to obtain approval for policy forms available for use; § 38.2-510 A 1 of the Code by failing to represent pertinent facts or insurance policy provisions relating to coverages at issue with such frequency as to indicate a general business practice; § 38.2-511 of the Code by failing to maintain a complete record of all the written complaints received since the date of the last examination; §§ 38.2-604 C, 38.2-610 A,

38.2-1905 A, 38.2-2118, 38.2-2126 A 1, 38.2-2202 A, 38.2-2202 B, and 38.2-2234 A 1 of the Code by failing to include all the required information in written notices sent 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; § 38.2-1822 A of the Code by allowing a business entity to act as an insurance agent in Virginia without first obtaining a license in a manner and in a form prescribed by the Commission; § 38.2-1833 of the Code by failing to appoint a licensed agent within thirty (30) days of the date of the execution of an insurance application; § 38.2-1906 A of the Code by failing to file with the Commission certain rate and supplementary rate information for use in Virginia on or before the date it became effective; § 38.2-1906 D of the Code by failing to use the rate and supplementary rate information that are in effect for the insurer; § 38.2-1906.1 of the Code by failing to have available for use a notice regarding misquoted premiums; § 38.2-2220 of the Code by using standard automobile forms that failed to contain the precise language of the forms filed and adopted by the Commission; as well as 14 VAC 5-400-40 A of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.* of the Virginia Administrative Code ("Rules"), by failing to inform the insured of all coverages pertinent to the claim; Rule 14 VAC 5-400-70 D by failing to offer a fair and reasonable amount as shown by the investigation of the claim; and Rule 14 VAC 5-400-80 D by failing to provide a copy of the repair estimate to the insured with such frequency as to indicate a general business practice.

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

The Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting or denying any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in company correspondence dated December 15, 2020, May 14, 2021, and December 3, 2021, in addition to e-mail correspondence dated October 8, 2021; have confirmed that restitution was made to 110 consumers in the amount of Sixty-five Thousand Twenty-six Dollars and Forty-five Cents (\$65,026.45), have tendered to the Treasurer of Virginia the sum of Ninety-nine Thousand Nine Hundred Dollars (\$99,900), and have waived the right to a hearing.

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

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

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.
- (2) This case is dismissed.

A COPY hereof shall be sent by the Clerk of the Commission by electronic mail to: Mardrell Mitchell, MS, MCM, Compliance Specialist, Southern Region, Selective Insurance Company of America, at Mardrell.Mitchell@selective.com, 40 Wantage Avenue, Branchville, New Jersey 07890; 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.