

MARKET CONDUCT EXAMINATION REPORT

OF

ELEPHANT INSURANCE COMPANY

AS OF

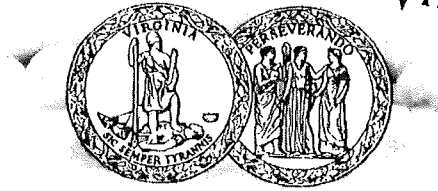
August 31, 2016

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

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Andrea D Baytop, Principal Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Elephant Insurance Company as of August 31, 2016, conducted at the company's office in Henrico, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No. INS-2018-00218 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of the Bureau
at the City of Richmond, Virginia,
this 29th of November, 2018.

Andrea D. Baytop
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the private passenger automobile line of business written by Elephant Insurance Company at its office in Glen Allen, Virginia.

The examination commenced April 3, 2017, and concluded November 6, 2017. Andrea D. Baytop, Eric Ellerbe, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, and Latitia Orange, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on November 1, 2016, and was assigned the Action Number of VA-VA177-2. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILE*

Elephant Insurance Company (EIC) is located and headquartered in Glen Allen, Virginia and is a wholly owned subsidiary of Admiral Group plc. The company was incorporated under the laws of Virginia on June 5, 2009 and commenced business on September 24, 2009.

* Source: Best's Insurance Reports, Property & Casualty, 2016 Edition.

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

GROUP CODE:	EIC
NAIC Company Number	13688
LICENSED IN VIRGINIA	9/24/2009
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	3/10/2016
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	
Burglary and Theft	3/10/2016
Commercial Multi-Peril	3/10/2016
Credit Involuntary	3/10/2016
Unemployment	
Farmowners Multi-Peril	3/10/2016
Fidelity	
Fire	3/10/2016
General Liability	X
Glass	
Home Protection	3/10/2016
Homeowners Multi-Peril	3/10/2016
Inland Marine	3/10/2016
Legal Services	3/10/2016
Miscellaneous Property	3/10/2016
Ocean Marine	3/10/2016
Surety	
Water Damage	3/10/2016
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2017 for those lines of insurance included in this examination.* This business was developed through captive agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Elephant Insurance Company		
Automobile Liability	\$43,413,333	1.51%
Automobile Physical Damage	\$25,123,886	1.13%

* Source: The 2017 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's private passenger automobile line of business written in Virginia for the period beginning September 1, 2015 and ending August 31, 2016. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest.

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

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

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

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

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

STATISTICAL SUMMARY

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

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

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

AREA	Population Sample Requested		FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
	EIC	TOTAL				
<u>Private Passenger Auto</u>						
New Business	<u>30309</u> 40	<u>30309</u> 40	40	0	40	100%
Renewal Business ¹	<u>25615</u> 55	<u>25615</u> 55	54	0	54	100%
Co-Initiated Cancellations ²	<u>1333</u> 55	<u>1333</u> 55	33	0	30	91%
All Other Cancellations ³	<u>28470</u> 25	<u>28470</u> 25	24	0	15	63%
Nonrenewals	<u>579</u> 20	<u>579</u> 20	20	0	14	70%
<u>Claims</u>						
Auto ⁴	<u>29856</u> 110	<u>29856</u> 110	109	0	44	40%

Footnote ¹ One file was a duplicate policy and was not reviewed.

Footnote ² The company was unable to provide an accurate population file to correctly label its cancellation transactions during the examination period.

Footnote ³ One file was not a true cancellation.

Footnote ⁴ One file was a duplicate claim and not reviewed.

PART ONE - THE EXAMINERS' OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. During this review, the examiners found overcharges totaling \$2,089.23 and undercharges totaling \$1,916.91. The net amount that should be refunded to insureds is \$2,089.23 plus six percent (6%) simple interest.

- (1) The examiners found eight violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page displayed discounts that were not applicable to the policy.
- (2) The examiners found 40 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 35 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 five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In seven instances, the company failed to apply accident and conviction surcharge points under its Safe Driver Insurance Plan (SDIP) correctly.

- c. In one instance, the company failed to use the correct territory.
- d. In 22 instances, the company failed to use the correct base and/or final rates.

Automobile Renewal Business Policies

The Bureau reviewed 54 renewal business policy files. During this review, the examiners found overcharges totaling \$1,115.75 and undercharges totaling \$2,048.73. The net amount that should be refunded to insureds is \$1,115.75 plus six percent (6%) simple interest.

- (1) The examiners found 21 violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page displayed discounts that were not applicable to the policy.
- (2) The examiners found 51 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 36 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 ten instances, the company failed to use the correct discounts and/or surcharges.
 - b. In two instances, the company failed to apply accident and/or conviction surcharge points under its Safe Driver Insurance Plan (SDIP) correctly.
 - c. In one instance, the company failed to use the correct symbol.
 - d. In one instance, the company failed to use the correct driver classification factor.
 - e. In 22 instances, the company failed to use the correct base and/or final

rates.

TERMINATION REVIEW

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

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed 15 automobile cancellations that were initiated by the company where the notices were mailed prior to the 60th day of coverage in the initial policy period. During this review, the examiners found overcharges totaling \$31.10 and undercharges totaling \$32.65. The net amount that should be refunded to insureds is \$31.10 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 misrepresented the policy term.
- (2) The examiners found eight violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an adverse underwriting decision (AUD).
- (3) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (4) The examiners found two violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (5) The examiners found seven violations of § 38.2-2208 B of the Code of Virginia.

- a. In one instance, the company failed to retain a copy of the cancellation notice sent to the insured.
 - b. In two instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - c. In one instance, the company failed to provide proper cancellation notice to the lienholder.
 - d. In one instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
 - e. In two instances, the company failed to retain proof of mailing the cancellation notice to the lienholder.
- (6) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In two instances, the company failed to provide adequate days' notice of cancellation to the lienholder.
 - b. In one instance, the company failed to properly inform the insured of the date of cancellation of the policy.

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.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed 18 automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60th day of coverage in

the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found overcharges totaling \$363.17 and no undercharges. The net amount that should be refunded to insureds is \$363.17 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 misrepresented the coverage territory.
- (2) The examiners found five violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.
- (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.
- (4) The examiners found three violations of § 38.2-2208 A of the Code of Virginia.
 - a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to retain a copy of the electronic transmittal sending the cancellation notice to the insured.
- (5) The examiners found ten violations of § 38.2-2208 B of the Code of Virginia.
 - a. In four instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In four instances, the company failed to provide proper notice of cancellation to the lienholder.
 - c. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
- (6) The examiners found seven violations of § 38.2-2212 D of the Code of Virginia.
 - a. In three instances, the company cancelled the policy for a reason not

- permitted by the statute.
- b. In one instance, the company cancelled the policy due to suspension or revocation of a driver's license that did not occur during the time period permitted by the statute.
 - c. In three instances, the company failed to obtain sufficient documentation from the insured verifying relocation to another state that would permit the company to cancel the policy.
- (7) The examiners found 12 violations of § 38.2-2212 E of the Code of Virginia.
- a. In one instance, the company failed to send the cancellation notice to the insured.
 - b. In one instance, the company failed to mail the cancellation notice to the address shown on the policy.
 - c. In five instances, the company failed to mail the cancellation notice to the insured at least 45 days prior to the effective date of cancellation.
 - d. In five instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
- (8) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to provide adequate days' notice of cancellation to the lienholder.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 13 automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$14.00 and undercharges totaling \$59.43. The net amount that should be refunded to insureds is \$14.00 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (2) The examiners found four violations of § 38.2-2208 A of the Code of Virginia.
 - a. In one instance, the company failed to obtain valid proof of mailing the cancellation notice to the insured.
 - b. In three instances, the company failed to retain a copy of the electronic transmittal sending the cancellation notice to the insured.
- (3) The examiners found five violations of § 38.2-2208 B of the Code of Virginia.
 - a. In three instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to provide proper notice of cancellation to the lienholder.
 - c. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.
- (4) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to send the cancellation notice to the lienholder at least 15 days prior to the effective date of cancellation.

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.

REQUESTED BY THE INSURED

The Bureau reviewed 11 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 undercharges totaling \$7.00.

- (1) 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 return premium correctly.
- (2) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In two instances, the company failed to obtain advance notice of cancellation from the insured.
 - b. In one instance, the company failed to retain evidence of the insured's request for cancellation of the policy.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed 20 automobile non-renewals that were initiated by the company.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the insured.
- (2) The examiners found 16 violations of § 38.2-2208 B of the Code of Virginia.
 - a. In four instances, the company failed to retain valid proof of mailing the nonrenewal notice to the insured.
 - b. In 12 instances, the company failed to send a nonrenewal notice to the lienholder.
- (3) The examiners found four violations of § 38.2-2212 E of the Code of Virginia.
 - a. In two instances, the company failed to send the insured written notice of nonrenewing the motor vehicle policy.

- b. In one instance, the company failed to mail the nonrenewal notice to the insured's address shown on the policy.
- c. In one instance, the company failed to state the specific reason for refusing to renew the policy.

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.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 103 automobile claims for the period of September 1, 2015 through August 31, 2016. 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 \$10,266.90 and underpayments totaling \$11,274.78. The net amount that should be paid to claimants is \$11,238.78 plus six percent (6%) simple interest.

- (1) The examiners found three 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.
- (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 one instance, the company failed to accurately inform an insured of the Medical Expense Benefits or Income Loss coverage when the file indicated the coverage was applicable to the loss.
 - b. In two instances, the company failed to accurately inform an insured of the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
 - c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist coverage (UM) when the file indicated the coverage was applicable to the loss.
- (3) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (4) The examiners found 24 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
- a. In eight instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverages applied to the claim.
 - b. In nine instances, the company failed to pay the insured's UMPD claim including rental benefits properly.
 - c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first party total loss settlement.
 - d. In two instances, the company failed to pay the insured's Medical Expense Benefits claim properly.
 - e. In one instance, the company failed to pay the insured's Towing and Labor

claim properly.

- f. In one instance, the company failed to pay the insured's Transportation Expenses claim properly.
- g. In two instances, the company failed to pay the insured's Collision or Other Than Collision claim properly.

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

- (5) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (6) The examiners found three 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. The company issued written communications that misrepresented pertinent facts of the claim.
- (7) The examiners found six violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (8) The examiners found 23 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 20 instances, the company unreasonably delayed the settlement of a claim.
 - b. In one instance, the company failed to promptly process the insured's UMPD deductible.
 - c. In two instances, the company failed to promptly process the insured's

rental reimbursement under UMPD.

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

- (9) The examiners found two violations of § 38.2-2201 B 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.
- (10) The examiners found one violation of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (11) The examiners found 11 occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In seven instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
 - b. In two instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
 - c. In two instances, the company failed to pay the claim under the correct coverage.

FORMS REVIEW

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

To obtain copies of the policy forms and endorsements used during the

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

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 28 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found four violations of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

POLICY ISSUANCE PROCESS REVIEW

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

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

the applications for those policies.

Automobile Policies

The company provided five new business policies sent on the following dates: December 30 and 31, 2016, and January 30, 2017. In addition, the company provided five renewal business policies sent on the following dates: January 1, 7, 22, and 31, 2017.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

STATUTORY NOTICES REVIEW

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

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

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

General Statutory Notices

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (2) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company did not have available for use the short form Notice of Information Collection and Disclosure Practices.

Statutory Vehicle Notices

- (1) The examiners found one violation of 38.2-2202 A of the Code of Virginia. The company's Medical Expense Benefits notice was not in the precise wording required by the statute.
- (2) The examiners found one violation of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60-day Cancellation Warning notice on or attached to the first page of the application.
- (3) The examiners found three violations of § 38.2-2234 A 1 of the Code of Virginia. The company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.

Other Notices

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

Agency

The examiners found no violations in this area.

Agent

The examiners found two violations of § 38.2-1812 E of the Code of Virginia. The Company paid commissions to a trade name that was not filed with the Bureau.

COMPLAINT-HANDLING PROCESS REVIEW

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

The examiners found no violations in this area.

PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW

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

The company provided a copy of its written information security program.

PART TWO – CORRECTIVE ACTION PLAN

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

General

Elephant Insurance Company shall:

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

Rating and Underwriting Review

Elephant 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 "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Properly represent the discounts applicable to the policy on the declarations page.
- (5) File all rates and supplementary rating information with the Bureau.

- (6) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, and base and/or final rates.

Termination Review

Elephant Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Provide the insured with a written notice of an Adverse Underwriting Decision.
- (5) Calculate return premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing the cancellation and nonrenewal notice to the insured and lienholder.
- (7) Retain a copy of the electronic transmittal sending the insured's cancellation notice.
- (8) Provide proper notice of cancellation or refusal to renew to the lienholder.
- (9) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by § 38.2-2212 of the Code of Virginia.
- (10) Send the cancellation notice at least 45 days before the effective date of

- cancellation when the notice is mailed after the 59th day of coverage.
- (11) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.
 - (12) Send the nonrenewal notice to the insured and lienholder.

Claims Review

Elephant 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 paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.
- (4) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (5) Make prompt, fair, and equitable settlements of claims where liability is clear.
- (6) Based on the Bureau's examination of the Company's Uninsured Motorist claims, the Company should conduct an internal audit of the Uninsured Motorist claims where the deductible was applied incorrectly when the at-fault party was identified and make restitution to insureds where applicable. The Company should then prepare a spreadsheet indicating the payments made as a result of the internal audit. This spreadsheet should be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

Forms Review

Elephant Insurance Company shall:

Use the rate classification statement filed with and approved by the Bureau.

Statutory Notices Review

Elephant Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (2) Develop a short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (3) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (4) Develop a 60-day Cancellation Warning notice for the application to comply with § 38.2-2210 A of the Code of Virginia.
- (5) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.

Licensing and Appointment Review

Elephant Insurance Company shall:

Pay commissions only to a trade name when it is filed with the Bureau.

PART THREE – EXAMINERS' RECOMMENDATIONS

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

RECOMMENDATIONS

We recommend that the company take the following actions:

Rating

- Properly represent discounts applied to the policy on the declarations page. This includes the Channel/Affinity, Six Month Down Payment and Multi-Policy Discounts.

Termination

- Obtain advance written notice when the insured requests cancellation of the policy.
- Use the proper notice for mid-term cancellations based upon when the cancellation is mailed to the insured.
- Cease making attempts to obtain funds from the insured's account after charging the NSF fee and/or the policy cancels, unless the insured has directly authorized the company to make a specific one-time attempt.
- Only send a cancellation notice to lienholders listed on the policy.
- Verify that the loss payees are shown on the declarations page correctly.

Claims

- Properly document the claim files so that all events and dates pertinent to the claim can be reconstructed.
- Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.
- Adopt and implement reasonable standards for the prompt investigation of claims.

- Pay an insured no more than what he or she is entitled to receive under the terms of the policy.
- Make payments under the correct coverage(s) properly when both Collision and UM coverages pertain to the claim.
- Remove the "EXCLUDED DRIVER" question from its "Notes" screen. Virginia does not permit the exclusion of drivers on private passenger automobile policies.
- Make medical payments directly to the insured unless a statement from the insured authorizing the company to make payments directly to the medical provider has been obtained first.

Forms

- Correct the typographical errors identified in the company's version of the Virginia standard auto forms and endorsements.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted a prior market conduct examination of the private passenger automobile line of business of Elephant Insurance Company as of August 31, 2011.

During the examination, the company violated §§ 38.2-305 A, 38.2-502, 38.2-510 A 6, 38.2-511, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1, 38.2-610 A, 38.2-1905 A, 38.2-1906 A, 38.2-1906 D, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2220 of the Code of Virginia; as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 D, 14 VAC 5-400-80 D 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,

Andrea D. Baytop
Principal Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

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



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January 17, 2018

VIA UPS 2nd DAY DELIVERY

Toni Salomonsky
Regulatory Risk Manager
Elephant Insurance Company
9950 Mayland Drive, Suite 400
Henrico, VA 23233

**RE: Market Conduct Examination
Elephant Insurance Company (NAIC# 13688)
Examination Period: September 1, 2015 - August 31, 2016**

Dear Ms. Salomonsky:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of September 1, 2015 through August 31, 2016. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since November 6, 2017. Also enclosed are several technical reports that will provide you with the specific file references for the violations listed in the Report.

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

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

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

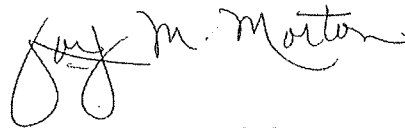
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by February 28, 2018.

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

We look forward to your reply by February 28, 2018.

Sincerely,

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

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



Elephant
Auto Insurance

Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

March 22, 2018

VIA EMAIL: OVERNIGHT DELIVERY

Ms. Joy M. Morton, Manager
Virginia Bureau of Insurance
Market Conduct Section, Property and Casualty Division
PO Box 1157
Richmond, VA 23218

RE: Market Conduct Examination
September 1, 2015 – August 31, 2016
Elephant Insurance Company (NAIC #13688)

Dear Ms. Morton:

Elephant Insurance Company (Elephant) appreciates the opportunity to review and respond to the draft report dated January 17th, 2018. We certainly understand and respect the intent of performing market conduct exams and assure the Bureau we are dedicated to maintaining compliance.

The data provided in the report is in the format instructed by the Bureau of Insurance (Bureau) and documents containing confidential information have been redacted as directed. Additionally, exhibits are attached with supporting documentation. Please note we are currently working on restitution for the undisputed items and should have them completed shortly. With regard to the disputed items, should restitution need to be paid, we will comply as those cases are identified.

We would like to thank you and your team for your considerations and assistance during the course of the exam and look forward to your response. Should you have questions or need additional assistance, please do not hesitate to contact me at 804-955-1700, extension 5534.

Sincerely,

Toni Salomonsky

Toni Salomonsky, Regulatory Risk Manager
toni.salomonsky@elephant.com
Elephant Insurance Services, LLC

MARKET CONDUCT EXAMINATION REPORT

OF

ELEPHANT INSURANCE COMPANY

AS OF

August 31, 2017

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

Property and Casualty Division
Market Conduct Section

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the private passenger automobile line of business written by Elephant Insurance Company at its office in Glen Allen, Virginia.

The examination commenced April 3, 2017, and concluded November 6, 2017. Andrea D. Baytop, Eric Ellerbe, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, and Latitia Orange, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on November 1, 2016, and was assigned the Action Number of VA-VA177-2. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILE*

Elephant Insurance Company (EIC) is located and headquartered in Glen Allen, Virginia and is a wholly owned subsidiary of Admiral Group plc. The company was incorporated under the laws of Virginia on June 5, 2009 and commenced business on September 24, 2009.

* Source: Best's Insurance Reports, Property & Casualty, 2016 Edition.

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

GROUP CODE:	EIC
NAIC Company Number	13688
LICENSED IN VIRGINIA	9/24/2009
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	3/10/2016
Automobile Liability	X
Automobile Physical Damage	
Boiler and Machinery	
Burglary and Theft	3/10/2016
Commercial Multi-Peril	3/10/2016
Credit Involuntary	3/10/2016
Unemployment	
Farmowners Multi-Peril	3/10/2016
Fidelity	
Fire	3/10/2016
General Liability	X
Glass	
Home Protection	3/10/2016
Homeowners Multi-Peril	3/10/2016
Inland Marine	3/10/2016
Legal Services	3/10/2016
Miscellaneous Property	3/10/2016
Ocean Marine	3/10/2016
Surety	
Water Damage	3/10/2016
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2017 for those lines of insurance included in this examination.* This business was developed through captive agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Elephant Insurance Company		
Automobile Liability	\$43,413,333	1.51%
Automobile Physical Damage	\$25,123,886	1.13%

* Source: The 2017 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's private passenger automobile line of business written in Virginia for the period beginning September 1, 2015 and ending August 31, 2016. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

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

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

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

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

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

STATISTICAL SUMMARY

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

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

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

AREA	Population Sample Requested		FILES REVIEWED	FILES NOT FOUND	FILES WITH	ERROR RATIO
	EIC	TOTAL				
<u>Private Passenger Auto</u>						
New Business	30309	30309	40	0	40	100%
	40	40				
Renewal Business ¹	25615	25615	54	0	54	100%
	55	55				
Co-Initiated Cancellations ²	1333	1333	33	0	30	91%
	55	55				
All Other Cancellations ³	28470	28470	24	0	15	63%
	25	25				
Nonrenewals	579	579	20	0	14	70%
	20	20				
Claims						
Auto ⁴	29856	29856	109	0	50	46%
	110	110				

Footnote ¹ One file was a duplicate policy and was not reviewed.

Footnote ² The company was unable to provide an accurate population file to correctly label its cancellation transactions during the examination period.

Footnote ³ One file was not a true cancellation.

Footnote ⁴ One file was a duplicate claim and not reviewed.

PART ONE- THE EXAMINERS' OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. During this review, the examiners found overcharges totaling \$2,184.81 and undercharges totaling \$1,916.91. The net amount that should be refunded to insureds is \$2,184.81 plus six percent (6%) simple interest.

- (1) The examiners found 13 violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page displayed discounts that were not applicable to the policy.

Company Response:

We respectfully disagree with 5 of the aforementioned violations. The Bureau has indicated that Elephant is misrepresenting to insureds that they are receiving a discount that is only applicable to insureds that own homes. The Bureau has stated in previous correspondence on the issue that this position is based on the fact that many factors in Table T69 are less than 1.00 and therefore all are receiving a discount, making the listing of a "homeowners" discount on the declarations misleading. §38.2-502 prohibits a company from making any statement that "...misrepresents the benefits, advantages, conditions, or terms of any insurance policy." We do not believe any insured has been misled by our listing of a homeowners discount on our declaration page. We are not aware of any statutory definition in Virginia of a discount. Absent of a statutory definition, and because §38.2-502 is clearly focused on protecting a consumer from misleading statements, we believe that it is reasonable to consider what an average consumer would expect to receive if a Homeowners discount was listed on their declarations page.

We believe a reasonable consumer would expect a lower, or discounted, rate by their status as a homeowner. In other words, they would expect that their premium is lower than it would have otherwise been had they selected any of the other available residence statuses. This is exactly what occurs in our rating plan; please

refer to Exhibit 1 for an excerpt from Table T69. All things remaining equal, the premium of a customer who rents their domicile and then becomes a homeowner will be reduced by 10.8% by virtue of them becoming a homeowner. We assert that any consumer would consider this reduction a discount and therefore would not be misled by a declarations page indicating they are receiving a Homeowner's discount.

While the Bureau has correctly pointed out that many of the rating factors in the table are less than 1.00, we disagree that this fact precludes it from being listed as a discount on our declarations page and respectfully ask that the Bureau reconsider its position on the below referenced cases.

<i>Reference Number:</i>	<i>Review Sheet:</i>
RPA023	R&UNBPPA1491394484
RPA024	R&UNBPPA792880896
RPA025	R&UNBPPA334192493
RPA033	R&UNBPPA1697161072
RPA038	R&UNBPPA617791398

- (2) The examiners found 40 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 36 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 five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In seven instances, the company failed to apply accident and conviction surcharge points under its Safe Driver Insurance Plan (SDIP) correctly.

Company Response: *We respectfully disagree with one of the seven violations. In the below case, the Examiner indicated in their response dated 10/25/17 for us to submit original MVR and CLUE reports for further consideration. We provided copies of both the original MVR and CLUE reports for consideration on 11-03-2017 via the Serv-U file sharing program. We respectfully ask that you reconsider this case. We did not add the reports to the exhibits as they both contain sensitive information which would need to be redacted almost in its entirety and would not help prove our position in the public forum.*

<i>Reference Number:</i>	<i>Review Sheet:</i>
RPA002	R&UNBPPA111609883

- c. In one instance, the company failed to use the correct symbol.

Company Response: As previously discussed with the Bureau, ISO files symbols on our behalf, but failed to provide all the required information (namely VIN) in their submission. In its place, we supplemented their submission with the files provided to us by ISO which has all the required information. For this case, please refer to the previously submitted file entitled "Risk Analyzer Vehicle Symbols - VINMASTER Premiere Service 1603" for physical damage symbols for this case. As pointed out in the review sheet, there are multiple lines corresponding to the VIN in question, which correspond to different edition dates of the symbol for the vehicle put out by ISO. Since the policy was effective 4/28/16, the proper line to use is the one with a "1508" in the distribution date field. The line provides symbols of GR and GT, which were the ones used to rate the policy as shown by the screenshot of the quote breakdown on this policy shown in Exhibit 2.

Reference Number:
RPA024

Review Sheet:
R&UNBPPA436051738

- d. In one instance, the company failed to use the correct territory.
- e. In 22 instances, the company failed to use the correct base and/or final rates.

Company Response: We respectfully disagree with 3 of the 22 instances. The Bureau has cited a number of violations of 38.2-1906 D related to Rule R04. Specifically, it was cited that the rule is unclear to its exact application. We maintain that the rule is clear and in compliance with the provisions of 38.2-1906 (D) which states that "No insurer shall make or issue an insurance contract or policy of a class to which this chapter applies, except in accordance with the rate and supplementary rate information filings that are in effect for the insurer." This rule and rating table in question were filed under SERFF file #130134699. While Virginia is a file and use state, we took a number of steps before implementation to ensure compliance with 38.2-1906 and clarify its application with the Bureau. In the filing, we took great care to include an explanatory memo which laid out the process for using the rule and table. We also had an in person meeting on June 25, 2015, specifically to discuss this change and address any concerns regarding the application of this rule. We also took the step of not implementing this filing until the Bureau had completed its review and closed out the filing in order to proactively address any concerns prior to implementation. At no point during this process were any concerns raised about the clarity of this rule. We maintain that how we apply the rule is in accordance with the rule on file with the Bureau. We have attached Exhibit 3, a fictional case that illustrates the rule's application. We believe this is a sound illustration of how this rule is applied in accordance with our filing. In light of Elephant's good faith effort to proactively address the Bureau's concern and the explanation provided in Exhibit 3, we respectfully ask that the violations in the cases below are reconsidered.

Reference Number:
RPA017
RPA018
RPA033

Review Sheet:
R&UNBPPA691887056
R&UNBPPA856890525
R&UNBPPA74024384

Automobile Renewal Business Policies

The Bureau reviewed 54 renewal business policy files. During this review, the examiners found overcharges totaling \$1,146.66 and undercharges totaling \$2,236.41. The net amount that should be refunded to insureds is \$1,146.66 plus six percent (6%) simple interest.

- (1) The examiners found 33 violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The declarations page displayed discounts that were not applicable to the policy.

Company Response: *We respectfully disagree with 12 of the aforementioned violations. The Bureau has indicated that Elephant is misrepresenting to insureds that they are receiving a discount that is only applicable to insureds that own homes. The Bureau has stated in previous correspondence on the issue that this position is based on the fact that many factors in Table T69 are less than 1.00 and therefore all are receiving a discount, making the listing of a "homeowners" discount on the declarations misleading. §38.2-502 prohibits a company from making any statement that "...misrepresents the benefits, advantages, conditions, or terms of any insurance policy." We do not believe any insured has been misled by our listing of a homeowners discount on our declaration page. We are not aware of any statutory definition in Virginia of a discount. Absent of a statutory definition, and because §38.2-502 is clearly focused on protecting a consumer from misleading statements, we believe that it is reasonable to consider what an average consumer would expect to receive if a Homeowners discount was listed on their declarations page.*

We believe a reasonable consumer would expect a lower, or discounted, rate by their status as a homeowner. In other words, they would expect that their premium is lower than it would have otherwise been had they selected any of the other available residence statuses. This is exactly what occurs in our rating plan; please refer to Exhibit 4 for an excerpt from Table T69. All things remaining equal, the premium of customer who rents their domicile and then becomes a homeowner will be reduced by 10.8% by virtue of them becoming a homeowner. We assert that any consumer would consider this reduction a discount and therefore would not be misled by a declarations page indicating they are receiving a Homeowner's discount.

While the Bureau has correctly pointed out that many of the rating factors in the table are less than 1.00, we disagree that this fact precludes it from being listed as a discount on our declarations page and respectfully ask that the Bureau reconsider its position on the below referenced cases.

Reference Number:
RPA045
RPA046
RPA049
RPA053
RPA057
RPA061
RPA068

Review Sheet:
R&URBPPA1414104502
R&URBPPA102140345
R&URBPPA457952181
R&URBPPA1284912815
R&URBPPA363682090
R&URBPPA1896164507
R&URBPPA842689986

RPA070	R&URBPPA814651174
RPA071	R&URBPPA1375078443
RPA083	R&URBPPA1608284066
RPA094	R&URBPPA1106211256
RPA095	R&URBPPA29424001

- (2) The examiners found 51 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 39 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 ten instances, the company failed to use the correct discounts and/or surcharges.
 - b. In two instances, the company failed to apply accident and/or conviction surcharge points under its Safe Driver Insurance Plan (SDIP) correctly.
 - c. In four instances, the company failed to use the correct symbol.

Company Response: *The Examiner indicated in their response dated 8/21/17 that specific Comprehensive and Collision symbols should have been used to rate the policy. We maintain that those factors were indeed used. Please refer to the symbol table and the quote breakdown screenshot in Exhibit 5.*

Reference Number:
RPA059

Review Sheet:
R&URBPPA1118184654

Company Response: *As previously discussed with the department, ISO files symbols on our behalf, but failed to provide all the required information (namely VIN) in their submission. In its place, we supplemented their submission with the files provided to us by ISO which has all the required information. For this case, please refer to the previously submitted files "VINMASTER LPMP Supplement File 1998 – 2007 Premier Service 2012 Filing" for liability symbols for this vehicle. The proper liability symbols based on the policy in question are 305 and 535 which were used to rate this policy. Please see the quote breakdown screen shot in Exhibit 6.*

Reference Number:
RPA075

Review Sheet:
R&URBPPA903490606

Company Response: *As previously discussed with the department, ISO files symbols on our behalf, but failed to provide all the required information (namely VIN) in their submission. In its place, we supplemented their submission with the files provided to us by ISO which has all the required information. For this case, please refer to the previously submitted files "VINMASTER LPMP Supplement File 1998 – 2007 Premier Service 2012 Filing" for liability symbols for this vehicle, and "Risk Analyzer Vehicle Symbols – VINMASTER Supplement File 2005 – 2007 Premier Service for the physical damages symbols for this vehicle. For liability coverage, the proper symbols based on the above are 305 and 535, while the proper symbols for physical damage coverage are FW and FW as shown by the screenshot of the quote breakdown for this policy. Please see Exhibit 7.*

Reference Number:
RPA078

Review Sheet:
R&URBPPA661982488

- d. In one instance, the company failed to use the correct driver classification factor.
- e. In 22 instances, the company failed to use the correct base and/or final rates.

Company Response: *We respectfully disagree with 10 of the 22 instances. The Bureau has cited a number of violations of 38.2-1906 D related to Rule R04. Specifically, it was cited that the rule is unclear to its exact application. We maintain that the rule is clear and in compliance with the provisions of 38.2-1906 (D) which states that "No insurer shall make or issue an insurance contract or policy of a class to which this chapter applies, except in accordance with the rate and supplementary rate information filings that are in effect for the insurer." This rule and rating table in question were filed under SERFF file #130134699. While Virginia is a file and use state, we took a number of steps before implementation to ensure compliance with 38.2-1906 and clarify its application with the Bureau. In the filing, we took great care to include an explanatory memo which laid out the process for using the rule and table. We also had an in person meeting on June 25, 2015, specifically to discuss this change and address any concerns regarding the application of this rule. We also took the step of not implementing this filing until the Bureau had completed its review and closed out the filing in order to proactively address any concerns prior to implementation. At no point during this process were any concerns raised about the clarity of this rule. We also maintain that how we apply the rule is in accordance with the rule on file with the Bureau. Please refer back to Exhibit 3, a fictional case that illustrates the rule's application. We believe this is a sound illustration of how this rule is applied in accordance with our filing. In light of Elephant's good faith effort to proactively address the Bureau's concern and the explanation provided in Exhibit 3, we respectfully ask that these violations are reconsidered.*

Reference Number:

Review Sheet:

RPA043
RPA044
RPA051
RPA053
RPA057
RPA059
RPA061
RPA070
RPA089
RPA091

R&URBPPA711037979
R&URBPPA1343361525
R&URBPPA1546510165
R&URBPPA657870703
R&URBPPA2053440439
R&URBPPA1612721861
R&URBPPA192033023
R&URBPPA105154185
R&URBPPA282449417
R&URBPPA1802242824

TERMINATION REVIEW

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

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

The Bureau reviewed 15 automobile cancellations that were initiated by the company where the notices were mailed prior to the 60th day of coverage in the initial policy period. During this review, the examiners found overcharges totaling \$31.10 and undercharges totaling \$32.65. The net amount that should be refunded to insureds is \$31.10 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 misrepresented the policy term for which the insured had not paid.
- (2) The examiners found eight violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an adverse underwriting decision (AUD).
- (3) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (4) The examiners found two violations of § 38.2-2208 A of the Code of Virginia.

The company failed to obtain valid proof of mailing the cancellation notice to the insured.

- (5) The examiners found nine violations of § 38.2-2208.8 of the Code of Virginia.
- a. In one instance, the company failed to retain a copy of the cancellation notice sent to the insured.
 - b. In three instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - c. In one instance, the company failed to provide proper cancellation notice to the lienholder.
 - d. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
 - e. In two instances, the company failed to retain proof of mailing the cancellation notice to the lienholder.
- (6) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In two instances, the company failed to provide adequate days' notice of cancellation to the lienholder.
 - b. In one instance, the company failed to properly inform the insured of the date of cancellation of the policy.

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.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed 18 automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found overcharges totaling \$363.17 and undercharges totaling \$38.17. The net amount that should be refunded to insureds is \$363.17 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 misrepresented the discounts applicable to the policy.
- (2) The examiners found five violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.
- (3) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Company Response: *The Company acknowledges the criticism by the Bureau of Insurance; however disagrees with the findings. The delinquency was opened on 10-22-2015 when the insured missed their 10-21-2015 payment. The late fee was to be scheduled to be billed on 10-24-2015; however, our insured made a payment on 10-22-2015 in the amount of \$194.85. Since the payment was made prior to 10-24-2015 a late fee was not assessed. Per rule B01, A late fee will be charged for any installment payment when either the minimum amount due is not paid on or before the 2nd day after the bill due date, or payment is postmarked (mailed payments) or transacted (phone or Internet payments) more than 2 days after the bill due date. A late fee will also be charged if a payment is returned and the payment problem is not remedied on or before the 2nd day after the bill due date. As you can see in the support documentation listed in the Appendix, late fees were incurred by the insured in August, September, November and December as a result of making payments two days after the due date. Please refer to Exhibit 8 for a copy of the charges screens and billing rule.*

Reference Number:
TPA086

Review Sheet:
TermOvr60PPA1575425436

- (4) The examiners found three violations of § 38.2-2208 A of the Code of Virginia.
- a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to retain a copy of the electronic transmittal sending the cancellation notice to the insured.
- (5) The examiners found ten violations of § 38.2-2208 B of the Code of Virginia.
- a. In four instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In four instances, the company failed to provide proper notice of cancellation to the lienholder.
 - c. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
- (6) The examiners found seven violations of § 38.2-2212 D of the Code of Virginia.
- a. In three instances, the company cancelled the policy for a reason not permitted by the statute.
 - b. In one instance, the company cancelled the policy due to suspension or revocation of a driver's license that did not occur during the time period permitted by the statute.
 - c. In three instances, the company failed to obtain sufficient documentation from the insured verifying relocation to another state that would permit the company to cancel the policy.

- (7) The examiners found 12 violations of § 38.2-2212 E of the Code of Virginia.
- a. In one instance, the company failed to send the cancellation notice to the insured.
 - b. In one instance, the company failed to mail the cancellation notice to the address shown on the policy.
 - c. In five instances, the company failed to mail the cancellation notice to the insured at least 45 days prior to the effective date of cancellation.
 - d. In five instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
- (8) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to provide adequate days' notice of cancellation to the lienholder.

All Other Cancellations- Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 13 automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$21.00 and undercharges totaling \$59.43. The net amount that should be refunded to insureds is \$59.43 plus six percent (6%) simple interest.

- (1) The examiners found four 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 return premium correctly.

Company Response: *The Company acknowledges the criticism by the Bureau of Insurance; however disagrees with the findings. The installment fee charged for the renewal term was refunded when the policyholder did not accept the offer. Please see a copy of the charges screen showing the refunded installment fee in Exhibit 9.*

Reference Number:
TPA042

Review Sheet:
TermNPPPA796773785

- (2) The examiners found four violations of § 38.2-2208 A of the Code of Virginia.
 - a. In one instance, the company failed to obtain valid proof of mailing the cancellation notice to the insured.
 - b. In three instances, the company failed to retain a copy of the electronic transmittal sending the cancellation notice to the insured.
- (3) The examiners found five violations of § 38.2-2208 B of the Code of Virginia.
 - a. In three instances, the company failed to retain proof of mailing the cancellation notice to the insured.
 - b. In one instance, the company failed to provide proper notice of cancellation to the lienholder.
 - c. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.
- (4) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to send the cancellation notice to the lienholder at least 15 days prior to the effective date of cancellation.

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.

REQUESTED BY THE INSURED

The Bureau reviewed 11 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 undercharges totaling \$7.00.

- (1) 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 return premium correctly.
- (2) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In two instances, the company failed to obtain advance notice of cancellation from the insured.
 - b. In one instance, the company failed to retain evidence of the insured's request for cancellation of the policy.

Company-Initiated Non-renewals- Automobile Policies

The Bureau reviewed 20 automobile non-renewals that were initiated by the company.

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

- (2) The examiners found 16 violations of § 38.2-2208 B of the Code of Virginia.
- a. In four instances, the company failed to retain valid proof of mailing the nonrenewal notice to the insured.
 - b. In 12 instances, the company failed to send a nonrenewal notice to the lienholder.
- (3) The examiners found four violations of § 38.2-2212 E of the Code of Virginia.
- a. In two instances, the company failed to send the insured written notice of nonrenewing the motor vehicle policy.
 - b. In one instance, the company failed to mail the nonrenewal notice to the insured's address shown on the policy.
- In one instance, the company failed to state the specific reason for refusing to renew the policy.

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.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 103 automobile claims for the period of September 1, 2015 through August 31, 2016. 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 \$10,266.90 and underpayments totaling \$17,257.59. The net amount that should be paid to claimants is \$16,499.99 plus six

percent (6%) simple interest.

- (1) The examiners found five 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 disagree with 2 of the 5 violations. Please see the additional notes in Exhibit 10 supporting that the Insured was unable to secure a rental from Enterprise due to an outstanding claim with the rental car company. File note dated 9/22/15 "unable to rent until account is cleared" and "set up reservation with Hertz" provides an account of the rental handling. Hertz never invoiced Elephant indicating the insured did not secure the rental. The Company respectfully request a review of the initial response with the additional documentation supporting pertinent dates and events can be reconstructed.*

Reference Number:
CPA005

Review Sheet:
ClaimVehPPA1277414982

Company Response: *The Company respectfully disagrees with the alleged findings and request a review of the initial documentation provided. File document labeled "Replacement Value Scooter" supports a 2014 new scooter was located for \$499, replacement cost noted by the Examiner. Email dated 2/3/16 in file confirms scooters located and cost for \$630 and \$499. "I am offering \$250. That is just about 50%." Examiner noted replacement cost is not owed. 50% depreciation taken from the replacement quote \$499 for the \$250 offer. Email dated 2/3/16 discusses depreciation with insured. The offer and reasoning is outlined in the communication stored in the claim file in a manner that the offer and its determination can be understood.*

Reference Number:
CPA037

Review Sheet:
ClaimVehPPA1553141894

- (2) The examiners found ten 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 the Medical Expense Benefits or Income Loss coverage when the file indicated the coverage was applicable to the loss.
 - b. In two instances, the company failed to accurately inform an insured of the Transportation Expenses coverage when the file indicated the

coverage was applicable to the loss.

- c. In seven instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist coverage (UM) when the file indicated the coverage was applicable to the loss.

Company Response: *The Company respectfully disagrees with three of the seven findings. The recorded statement call provided with the initial review discusses UM coverage and rental. Please see Exhibit 10 for additional notes regarding the rental vehicle.*

Reference Number:
CPA005

Review Sheet:
ClaimVehPPA1308216783

Company Response: *The Company respectfully requests a review of the initial documents discussing rental. The insured never presented the vehicle to the shop for repairs and payment was issued directly to the insured. Rental was discussed and noted when it would be provided per the policy provisions. Additional notes are listed in Exhibit 11.*

Reference Number:
CPA056

Review Sheet:
ClaimVehPPA1954771365

Company Response: *The Company respectfully disagrees with the alleged findings. The email provided with the initial review discusses the rental. It states "Should you require a rental during the repair process please contact me 1 week prior to your scheduled drop off date. Per your approved estimate I can authorize 2 days of rental."*

Reference Number:
CPA093

Review Sheet:
ClaimVehPPA1500534674

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

Company Response: *The Company acknowledges the criticisms of the Bureau; however, dispute the findings indicated as a general business practice. 14 VAC 5-400-40 A states "No person shall knowingly obscure or conceal from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent to a claim." While in some cases, the files reviewed indicated mistakes were made on part of the claims associate(s) handling the case, there was no evidence to show that adjusters intentionally obscured or concealed information as required by the term "knowingly." The company believes that this is a significant requirement of 14 VAC 5-400-40 A to indicate a business practice.*

- (3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

Company Response: *The Company respectfully disagrees with one of the above findings. Both parties involved in this loss were insured with the Company. The Letter of Representation (LOR) dated 12/16/15 is related to a different Company claim. A response was made on the same day 12/16/15 from that cross reference claim file. A copy of that dated response is provided for your review in Exhibit 12.*

Reference Number:
CPA023

Review Sheet Number:
ClaimVehPPA1207854445

- (4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found 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.

Company Response: *The Company respectfully disagrees with the alleged two findings. The insured was contacted on 3/24/16 and advised the vehicle was a total loss. A copy of the call was provided with the response. The insured was not provided with the Company's estimate of record until 4/6/16 during the total loss process. The insured proceeded to authorize repairs to the vehicle based on an estimate provided by the shop choice without advising Elephant. The shop's estimate also noted the vehicle was a total loss. Therefore, Elephant did not send a denial letter to the insured as we were unaware of any repairs nor was there a dispute to repairs being made by the insured. Likewise, a denial was not sent for the refusal to pay for a rental because a rental was authorized and a reservation made with Enterprise on 3/23/16. Please see Exhibit 13.*

Reference Number:
CPA045

Review Sheet:
ClaimVehPPA703385346

Company Response: *The Company respectfully requests a review of the initial response and disagrees with this violation. Conditional denials were sent to the insured making requests for documentation to consider medical bills received. Letter labeled "CHK OFF LTR TO IVD – ..." dated 12/2/16 states "In order to process the medical expense benefits claim we need all of the medical records and itemized bills from the healthcare providers..." Letter labeled "CHK OFF LTR TO IVD – ..." dated 1/27/16 states "until we have the associated medical records we cannot process the medical bill." Since the review, the requested documentation was received and the Medical Expense Benefits were paid. There is no denial of coverage in the file because coverage was not denied. Please see Exhibit 14.*

Reference Number:
CPA085

Review Sheet:
ClaimVehPPA1002855122

- (6) The examiners found 28 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.

Company Response: *The Company respectfully disputes the alleged findings and underpayment of \$1800. The insured moved the vehicle to a shop of choice and once coverage and liability was cleared, the insured did not provide permission to move the vehicle to Copart. The insured chose to owner retain the total loss vehicle in order to repair it. The shop repaired the insured's vehicle and advised the insured they charged for storage. The insured indicated the shop was charging \$1800 in storage fees for a vehicle they repaired. There is no documentation to support the insured was charged this amount or any amount for storage. The insured was made 2 offers for the total loss settlement and chose to owner retain the vehicle and repair. Any additional charges, including storage, are the insured's responsibility. We request a review of the initial response and documentation and the removal of the underpayment of \$1800. There is only a verbal statement made by the insured of storage charges and no documentation was submitted to validate her claim and if any storage was paid and the amount.*

Reference Number:
CPA051

Review Sheet:
ClaimVehPPA-2130998530

- a. In eight instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverages applied to the claim.
- b. In nine instances, the company failed to pay the insured's UMPD claim including rental benefits properly.

Company Response: *Elephant respectfully disagrees with the alleged findings. A fair and reasonable offer was made for the rental and paid up to the \$600 limit of coverage, 22 days of rental for a 10 day repair based on the total labor hours. Elephant also factored time for non-drivable, parts and non-business days. The balance of \$539.67, an additional 14 days of rental was considered for payment under UM but not paid. Numerous attempts were made with the insured and the shop of choice to provide documentation for repair delays which were never presented. Rental payment is limited to a period of time reasonably required to repair or replace a vehicle. There were no delays on Elephant's part and the insured and the shop were not cooperative when asked for supporting documentation for the additional rental days.*

Reference Number:
CPA014

Review Sheet:
ClaimVehPPA1111794595

Company Response: *Elephant disagrees with the finding that the company should reimburse the additional 3 days rental or \$162.49 to the insured. The examiner noted "the insured should have been offered a rental to have temporary repairs completed at the first notice of loss. Due to this error, the company should reimburse". Documentation was provided with the initial response supporting a rental was authorized on 5/19/16 and the insured did not secure until 6/6/16. Repairs were completed on 6/24/16 and the insured was notified. The insured remained in the rental until 6/27/16 and paid the additional 3 days or \$162.49. Elephant paid an amount that was fair and reasonable in accordance with the policy provisions. The insured decided not to secure the rental when provided or return when advised. We respectfully request a review of the initial response and provided documentation.*

Reference Number:
CPA055

Review Sheet:
ClaimVehPPA210299627

Company Response:

The Company paid the rental bill per the policy provisions for a repairable vehicle. The repairs were completed on 4/4/16 and the insured was notified. The rental was not returned until 4/6/16 and the insured paid the additional two days. The Company did not delay the repairs and there were no circumstances to consider a concession for customer service. The examiner stated "an additional one, two, or three or possibly more days rental is not unreasonable depending on the facts of this loss." The Company applies claim handling policy and guidelines consistently and reviews the merits of the claim file to determine if any concessions should be made. A fair and reasonable offer was made when handling the transportation expense coverage and we respectfully ask the Bureau to review our earlier responses.

Reference Number
CPA044

Review Sheet
ClaimVehPPA417169721

- c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first party total loss settlement.
- d. In three instances, the company failed to pay the insured's Medical Expense Benefits claim properly.

Company Response: *Elephant disagrees with the alleged findings. A fair and reasonable offer may not be made per the policy provisions if the injury or treatment received is not casually related to the accident. Medical records received diagnosed the skin irritation as Lichen Planus, not poison ivy or non-specific dermatitis. A file note has been provided "the NI advised that she is not worried about getting paid for the skin issues anymore." The insured withdrew her claim for the medical expenses related to the Lichen Planus. If the causation were directly related to the loss, a fair and reasonable offer for the incurred expenses would have been paid. Please see Exhibit 15.*

Reference Number
CPA085

Review Sheet:
ClaimVehPPA1097351938

e. In two instances, the company failed to pay the insured's Transportation Expenses claim properly.

f. In four instances, the company failed to pay the insured's Collision or Other Than Collision claim properly.

Company Response: *We respectfully disagree with the findings and dispute as the Company did offer an amount fair and reasonable for the actual cash value of the insured vehicle. Documentation from a Carfax report provided the mileage on the vehicle on 3/30/13 was 138,492. The vehicle evaluation was revised from unknown mileage to 138,492 which was the last known mileage. The policy states "an adjustment for depreciation and physical condition will be made in determining the actual cash value in the event of a total loss." We request the Bureau review the initial response and documentation and withdrawal of the underpayment of \$1766.58, the difference between the two evaluations after the mileage was changed.*

Reference Number:
CPA022

Review Sheet:
ClaimVehPPA328333646

Company Response: *We respectfully dispute that the insured was not offered an amount that was fair and reasonable in accordance with the policy provisions. Elephant disputes the insured is owed \$3165, the difference between the actual cash value settlement and the estimate from the insured's shop choice for \$8431. Coverage and liability were clear when Elephant inspected the insured's vehicle on 3/23/16. The estimate amount was \$4912.21 and noted as a total loss. The insured was not provided with a copy of the estimate until the total loss settlement offer was made which is a standard file handling process. This is a measure to prevent authorization of repairs on a total loss vehicle. The examiner states the company estimate should have included language advising the insured should not proceed with repairs. This is not required language on the estimate. The insured was notified on 3/24/16, eight days after the loss, the vehicle was a total loss and he would be contacted by the total loss representative to settle the claim. With this knowledge and without an estimate from Elephant, the insured proceeded to authorize repairs based on the shop's estimate. Keep in mind the shop estimate noted the vehicle was a total loss and the insured wanted the vehicle repaired. The shop estimate charged 70 hours at \$95 per hour for total labor of \$6650. The estimate also noted a complete paint with paint materials charged for \$1450 and a starting date of 3/26/16. Lastly, this estimate was handwritten and altered from the original.*

A copy was provided after an offer to settle was made and requested by Elephant. A fair and reasonable total loss settlement offer was made per the policy provisions and accepted. The call, estimates and documents were provided with the first and second response with Claim Review Sheet ClaimVehPPA781343037.

Reference Number:
CPA045
CPA045

Review Sheet:
ClaimVehPPA781343037
ClaimVehPPA1826709420

g. In one instance, the company failed to pay the insured's Towing and Labor claim properly.

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

(7) The examiners found one violation 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.

(8) The examiners found four 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. The company issued written communications that misrepresented pertinent facts of the claim.

Company Response: *The Company acknowledges the criticism by the Bureau; however disagrees with the findings and stands by our original response. The file notes do not reference a "need" for the police report. No written or verbal communication was sent or made to the insured requiring the insured to report the loss to the police or provide the police report in relation to the UMPD coverage. Documentation provided in the initial response supports the insured left an after hour message indicating she was submitting the police report as part of her claim. Payment was issued upon receipt of the proof of loss without a copy of the police report in the claim file. We respectfully request a review of the provided initial response documentation.*

Reference Number:
CPA071

Review Sheet
ClaimVehPPA431911167

- (9) The examiners found eight 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: *The Company respectfully disagrees with the findings that reasonable standards were not taken for a prompt investigation. On 5/9/16 the police report was received confirming the reported facts of loss and the involvement of an unknown vehicle. There was no additional information on the report for the tortfeasor's identity. The adjuster attempted contact with the insured the same day to move forward with UM. The adjuster note states, "Call NI Follow Up to inquire shop of choice, no answer, left vm requesting call back." The insured chose to use a direct repair shop on 4/28/16 and was provided with a list of the direct repair facilities nearest her. No choice was made until the insured returned the adjuster's call on 5/11/16 and the adjuster note states, "need to see pictures of the damage before approving UM.... Received police report but advised I still need to see the damage." Since the insured had not had the vehicle inspected at a direct repair facility, the adjuster notes "Advised I would be more comfortable sending a SA out as I am worried insured vehicle is a total loss." 38.2-2206 defines an "Uninsured motor vehicle" means a motor vehicle for which there is no bodily injury or property damage liability insurance.... if its owner or operator is unknown." It is reasonable to expect a review of the vehicle damages and photos to confirm the damages are consistent with involving another motor vehicle supporting the reported facts of loss for a hit and run. The inspection was completed on 5/13/16 and confirmed a total loss on 5/16/16. The Collision and UM exposures were assigned to a total loss representative on 5/17/16 to conclude. The adjuster's note dated 5/17/16 states, "Ok to pay IV". 14 VAC 5-400-50 D: The Company promptly provided the insured with reasonable assistance in order to comply with the applicable policy conditions and reasonable requirements to have the vehicle inspected and complete an investigation to confirm the facts of loss which included securing the police report and the insured's statement. 14 VAC 5-400-60 A: The Company accepted the claim made by the insured within 15 working days after the insured complied with our request to permit us to inspect and appraise the damaged property.*

Reference Number:
CPA054

Review Sheet:
ClaimVehPPA775574712

Company Response: The Company respectfully disagrees with the findings that reasonable standards were not taken for the prompt investigation of this loss. The insured reported the loss 2 days after it occurred on 7/3/16. The insured was unavailable for contact as she advised she was out of town on vacation. The location of the vehicle was unknown and not provided at the time of the report of loss. File note dated 7/5/16, "received email from NI stating that she will call me, she was out of town for holiday." Note dated 7/7/16, "7/6/17 OBC to named insured, left voice message." When contact was made on 7/7/16, the insured advised the vehicle would be located at her shop of choice and an appraisal inspection was set up to inspect the vehicle at the shop. On 7/11/16, The Company spoke to the insured again and she advised she was waiting on appraiser to come out and look at vehicle which was not located at shop but her parent's address. The vehicle was inspected the next day and the staff appraiser note states, "the carpets are wet and the vehicle is musky smelling. I wrote to remove and clean carpets and check all electrical connectors that were in the water. Vehicle is running good and no codes present at time of inspection." With the insured's delay in contact and verification of the vehicle's location, this claim was acknowledged, accepted, and paid within 15 days of the insured's notification. The examiner states Elephant should have had the vehicle inspected for mechanical damage and run a diagnostic check. The insured did not move her vehicle to her shop choice, Nissan of Chesapeake, as she had indicated. The estimate and the payment for repairs were based on the amount for which the damages were reasonably expected to be satisfactorily repaired at the time of the physical inspection. The insured was present during the inspection and did not dispute the items listed on the estimate. If the insured or her shop called indicating the vehicle was in the shop for repairs and additional mechanical damage had been found, the Company would have re-inspected and reviewed the damages for consideration.

Reference Number:
CPA076

Review Sheet:
ClaimVehPPA1491494965

Company Response: The Company respectfully requests a review of the initial response and withdrawal by the first examiner. A second examiner added this review back stating the loss clearly indicates water was intentionally put into the fuel system by someone. This was a late report loss. The insured stated he thought he put bad gas into the vehicle and was going to handle on his own until the damages were more than expected. The staff appraiser inspected at the shop and notes, as stated by the second examiner, "that the water in the gas tank and fuel lines was not a result of bad gas from the gas station, so somehow water was put into the fuel system." If an intentional act by someone and not the insured, this is a covered loss and was handled promptly by the Company with a physical inspection of the vehicle to confirm a covered Other Than Collision loss or vandalism. The claim was acknowledged, accepted and paid within 15 days of receipt. There were no indicators to continue to investigate this loss and prolong its settlement with the insured.

Reference Number:
CPA081

Review Sheet:
ClaimVehPPA1490096847

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

Company Response: *The Company acknowledges the criticisms of the Bureau; however, dispute the findings indicated a general business practice. While some of the files reviewed may have included mistakes made by the file handler, reasonable standards were implemented for prompt investigation. Elephant once again prides itself on providing prompt investigations in order to indemnify our insureds and claimants.*

(10) The examiners found 23 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 20 instances, the company unreasonably delayed the settlement of a claim.

Company Response: *The description of the loss by the insured would indicate an UM claim. Nonetheless, an investigation must be completed to confirm UM and verify the damages claimed are consistent with involving another motor vehicle. 14 VAC 5-400-60 Standards for Prompt Investigation of Claims states "Within 15 working days after receipt by the insurer of any required properly executed proof of loss, a first party claimant shall be advised of the acceptance or denial of the claim by the insurer." The Company's dispute remains the same. The loss was reported on 6/19/16. A proof of loss (POL) was sent to the insured on 6/22/16. POL submitted by the insured on 6/27/16. Per the Company's process, UM coverage was reviewed by a Supervisor on 6/28/16. The rental and UM payment were authorized 6/28/16, seven business days after the claim was reported and when UM coverage and liability were reasonably clear to proceed. Contact attempts for the insured were made the same day to arrange the rental. Our insured picked up the rental on 6/30/16. The Company respectfully requests a review of the documentation from the initial response.*

Reference Number:
CPA071

Review Sheet:
ClaimVehPPA616494802

Company Response: *We respectfully disagree with the alleged findings and request a review of our initial response. There were several delays made by the insured which affected the prompt settlement of this claim. The insured changed shops for the vehicle inspection and we were not notified. The proof of loss was not returned for five days. When the settlement was made on 8/16/16, the insured mailed the title to Copart and upon notice of receipt by Copart payment was issued 8/26/16. The file supports attempts in good faith for a prompt settlement.*

Reference Number:
CPA096

Review Sheet:
ClaimVehPPA1504876243

Company Response: We respectfully disagree with the alleged findings of not making a prompt settlement of the referenced claim. We request a review of the prior responses and documentation. Good faith attempts were made with our insured to process and settle this loss promptly. The delays for a prompt settlement were the insured's failure to respond to The Company's communication and requests outlined in our first response. More importantly, the insured lost her title or did not have a title in her name in order to process the payment. A copy of the title was provided in the first response to document it was reissued on 10/27/16. A prompt settlement would not been possible until a copy of the title was provided for the owner retain salvage settlement.

Reference Number:
CPA097

Review Sheet:
ClaimVehPPA1797604665

Company Response: We respectfully disagree with the Examiner's finding and kindly request a review of the initial response. Once the claim was cleared for UM coverage, numerous attempts documented in the initial response to reach the insured were unsuccessful. The documentation provided supports the insured's delay in responding to our contact for a direction of payment and the shop choice for the UM claim. Payment could not be issued directly to the insured since there was a lienholder on the insured's vehicle.

Reference Number:
CPA104

Review Sheet:
ClaimVehPPA699699954

- b. In one instance, the company failed to promptly process the insured's UMPD deductible.
- c. In two instances, the company failed to promptly process the insured's rental reimbursement under UMPD.

Company Response: We respectfully dispute the alleged findings and request a review of our initial and subsequent responses. The loss was reported on 10/29/15, coverage and liability was cleared with receipt of a tow invoice from the insured on 11/3/15. The policy incepted 17 days before this reported loss which in itself is the reasoning or need to confirm the loss is a covered loss. The rental was set up the same day, 11/3/15 and the estimate of repairs was paid to the insured's shop choice on 11/5/15. The claim was promptly acknowledged, accepted and paid fairly within 15 days. There was no dispute with the shop for the cost of repairs and no supplements were ever presented for consideration or request for re-inspection of the vehicle. Reference the rental, the Company paid up to the transportation expense coverage of \$600 or 22 days rental for an eleven day repair based on a total of 43.6 labor hours. The shop and the insured did not provide documentation for supplemental damage or delays in the repair process due to part delays or receipt of damaged parts to consider the additional 14 days of rental under the UM coverage. The rental payment was promptly and fairly paid based on the reasonable period of time to repair the insured vehicle without any documentation for delays. The Company pursued the insured and shop for this documentation and closed the file after 9 separate requests with no reply for the parts invoices and supplements.

Reference Number:
CPA014

Review Sheet:
ClaimVehPPA178097649

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

Company Response: *The Company acknowledges the criticisms of the Bureau; however, dispute the findings indicated a general business practice. Some of the files reviewed may have included mistakes made by the file handler; however, we have always prided ourselves on providing prompt, fair and equitable settlements in good faith and deny the assertion that our adjusters at any time acted in bad faith.*

- (11) The examiners found one violation of § 38.2-510 A 17 of the Code of Virginia. The company failed to perform a personal inspection of the damaged vehicle before an appraisal was issued.

Company Response: *We respectfully maintain our initial response and request a review of the provided file notes documenting the insured chose a direct repair shop to complete the inspection of the vehicle. The request for photos was directly related to confirming a non-drivable vehicle or drivable vehicle to determine if a rental should be provided and not a condition of an appraisal that had already been set up. Keeping in mind transportation expense coverage has limited amounts of coverage and the rental payment is limited to the time to reasonably repair or replace a vehicle, photos assist with the determination when to begin using the rental coverage. The endorsement does not state photos may not be requested nor does the cite provided address the use of photos in relation to a rental.*

Reference Number:
CPA079

Review Sheet:
ClaimVehPPA1493905440

- (12) The examiners found two violations of § 38.2-2201 B 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.
- (13) The examiners found one violation of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.

Company Response: *The Company acknowledges the criticism by the Bureau of Insurance; however disagrees with the findings and stands by our initial response. The Company's interpretation of 38.2-2201 D is that a credit cannot be applied against an insured's medical bills for the amount already paid by their health insurance; therefore, an insured is allowed to receive payment under the Medical Expense Benefits and from the health insurance company. For the referenced claim, the medical bills received were audited for reasonable and customary charges and paid on their merits. Payments were made directly to the insured in conformity with the Virginia statute.*

Reference Number:
CPA003

Review Sheet:
ClaimVehPPA1309123168

- (14) The examiners found 11 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In seven instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
 - b. In two instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
 - c. In two instances, the company failed to pay the claim under the correct coverage.

Other Law Violations

The examiners found one violation of § 46 2-624 of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500.00 on a water-damaged vehicle.

Company Response: *The estimate written for \$5567.65 was not related to any water damage but the impact with the deer and collision damage as a result of a rollover. If there was any water intrusion after the rollover per the insured, the photos and damages documented by the appraiser's personal inspection do not support \$3500 or more in water damage. Elephant respectfully requests a review of the documentation from the initial response.*

Reference Number:
CPA085

Review Sheet:
ClaimVehPPA1491394313

FORMS REVIEW

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

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

Automobile Policy FormsPOLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 28 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found four violations of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

POLICY ISSUANCE PROCESS REVIEW

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

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

Automobile Policies

The company provided five new business policies sent on the following dates: December 30 and 31, 2016, and January 30, 2017. In addition, the company provided five renewal business policies sent on the following dates: January 1, 7, 22, and 31, 2017.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

STATUTORY NOTICES REVIEW

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

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

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

General Statutory Notices

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (2) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company did not have available for use the short form Notice of Information Collection and Disclosure Practices.

Statutory Vehicle Notices

- (1) The examiners found one violation of 38.2-2202 A of the Code of Virginia. The company's Medical Expense Benefits notice was not in the precise wording

required by the statute.

- (2) The examiners found one violation of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60-day Cancellation Warning notice on or attached to the first page of the application.
- (3) The examiners found three violations of § 38.2-2234 A 1 of the Code of Virginia. The company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.

Other Notices

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

Agency

The examiners found no violations in this area.

Agent

The examiners found two violations of § 38.2-1812 E of the Code of Virginia. The Company paid commissions to a trade name that was not filed with the Bureau.

Company Response: *The Company acknowledges the criticism by the Bureau of Insurance; however disagrees with the findings. While the agent in question uses his middle name when utilizing our internal systems, when he is paid, the agent's name appears on the check as it does at the Bureau.*

<i>Reference Number:</i>	<i>Review Sheet:</i>
AG003	LAPAG-1190846971
AG004	LAPAG-616661536

COMPLAINT-HANDLING PROCESS REVIEW

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

The examiners found no violations in this area.

PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW

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

The company provided a copy of its written information security program.

PART TWO- CORRECTIVE ACTION PLAN

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

General

Elephant Insurance Company shall:

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

Rating and Underwriting Review

Elephant 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: *The Company is taking the necessary steps to correct the undisputed errors that caused the overcharges and undercharges. Refunds have/will be sent to the insured or accounts will be credited.*

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

Company Response: *The Company has/will include six percent (6%) simple interest in the amount refunded or credited to the insured's account.*

- (2) 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 company acknowledges that it has refunded or credited the overcharges listed in the file.

Company Response: *With regard to any outstanding restitution, the Company is processing those payments and will provide the Restitution list within the next 30 days.*

- (3) Properly represent the discounts applicable to the policy on the declarations page.

Company Response: *While The Company is respectively disputing the explanation/rate/rule surrounding the Homeowners discount we are taking steps to ensure other discounts applicable to the policy are properly displayed.*

- (4) File all rates and supplementary rating information with the Bureau.

Company Response: *The Company will ensure that all rates and supplementary rating are filed with the Bureau.*

- (5) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, symbols, and base and/or final rates.

Company Response: *The Company will ensure that the rules and rates used are on file with the Bureau paying particular attention to the items identified in this report.*

Termination Review

Elephant Insurance Company shall:

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

Company Response: *The policy in question is currently being disputed under review sheet TermOvr60PPA1575425436.*

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

Company Response: *The policy in question is currently being disputed under review sheet TermOvr60PPA1575425436.*

- (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 company acknowledges that it has refunded or credited the overcharges listed in the file.

Company Response: *The policy in question is currently being disputed under review sheet TermOvr60PPA1575425436.*

- (4) Provide the insured with a written notice of an Adverse Underwriting Decision.

Company Response: *While the Company has the proper cancellation processes and procedures in place, this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process was automated ensuring notices are generated and mailed out accurately. Additionally when the new process was implemented, the associates who handle this function received refresher training reminding them our existing policies and procedures.*

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

Company Response: *The Company will review its systems and ensure that the return premium is calculated according to the filed rules and policy provisions.*

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

Company Response: *While the Company has the proper cancellation processes and procedures in place this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process has been automated. Additionally, the associates who handle this function also received refresher training reminding them of the existing processes and procedures. With regards to lienholder verification, the company has partnered with our vendor Verisk/ISO to ensure valid proof of mailing is retained and available upon request. This was updated September 2017.*

- (7) Retain a copy of the electronic transmittal sending the insured's cancellation notice.

Company Response: *With regards to sending insured's cancellation notice via electronic transmittal, the company has a current method of retaining the cancellation notice. This was completed in March 2016.*

- (8) Provide proper notice of cancellation or refusal to renew to the lienholder.

Company Response: *The company has partnered with our vendor Verisk/ISO to ensure proper notice of cancellation or refusal to renew is sent to the lienholders on file. This was updated September 2017.*

- (9) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by § 38.2-2212 of the Code of Virginia.

Company Response: *While the Company has the proper cancellation processes and procedures in place, this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process was automated ensuring notices generated after the 59th day only allow reason codes permitted by § 38.2-2212 of the Code of Virginia. Additionally when the new process was implemented, the associates who handle this function received refresher training reminding them of the existing policies and procedures regarding reason code messaging.*

- (10) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.

Company Response: *While the Company has the proper cancellation processes and procedures in place, this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process was automated ensuring that any cancellation notices mailed after the 59th day of coverage will be mailed at least 45 days before the effective date of cancellation. Additionally, when the new process was implemented, the associates who handle this function received refresher training reminding them of the existing policies and procedures regarding cancellations.*

- (11) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.

Company Response: *While the Company has the proper cancellation processes and procedures in place, this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process was automated ensuring the verbiage on the letter regarding the right to have the termination of the policy reviewed by the Commissioner of Insurance is included on the notice. Additionally when the new process was implemented, the associates who handle this function received refresher training reminding them of existing policies and procedures.*

- (12) Send the nonrenewal notice to the insured and lienholder.

Company Response: *While the Company has the proper cancellation processes and procedures in place, this violation resulted from a manual process identified by the Company prior to the examination. As of November 2016, our process was automated ensuring the nonrenewal notice is sent to both the insured and lienholder when applicable. With regards to lienholder verification, the Company has partnered with our vendor Verisk/ISO to ensure that the non-renewal notices are sent to the lienholder and proof of the transactions are available upon request. This was updated September 2017.*

Claims Review

Elephant 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: *The company is taking the necessary steps to correct the undisputed errors that caused the underpayments and overpayments. Refunds have/will be sent to the insured or claimant.*

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

Company Response: *The Company has/will include six percent (6%) simple interest in the amount refunded or credited to the insureds or claimants.*

- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.

Company Response: *With regard to any outstanding restitution, the Company is processing those payments and will provide the Restitution list within the next 30 days.*

- (4) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to rental benefits under UMPD.

Company Response: *While there are current processes and procedures in place and some items we are still respectfully disputing, we will administer refresher training to our claims associates that handle these functions.*

- (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.

Company Response: *While there are current processes and procedures in place and some items we are still respectfully disputing, we will administer refresher training to our claims associates that handle these functions.*

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

Company Response: *While there are current processes and procedures in place and some items we are still respectfully disputing, we will administer refresher training to our claims associates that handle these functions.*

- (7) Make prompt, fair, and equitable settlements of claims where liability is clear.

Company Response: *While there are current processes and procedures in place and some items we are still respectfully disputing, we will administer refresher training to our claims associates that handle these functions.*

Forms Review

Elephant Insurance Company shall:

Use the rate classification statement filed with and approved by the Bureau.

Company Response: *The Company will ensure we use the rate classification statement filed with and approved by the Bureau.*

Statutory Notices Review

Elephant Insurance Company shall:

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

Company Response: *We will amend the long Notice of Information Collection Disclosure Practices form to comply with § 38.2-604 B of the Code of Virginia.*

- (2) Develop a short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.

Company Response: *We will develop the short form Notice of Information Collection Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.*

- (3) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.

Company Response: *The Company will amend the Medical Expense Benefits Notice to comply with § 38.2-2202 A of the Code of Virginia.*

- (4) Develop a 60-day Cancellation Warning notice for the application to comply with § 38.2-2210 A of the Code of Virginia.

Company Response: *While the 60-day Cancellation Warning notice was previously listed on the application, a field was added to the document and the notice was inadvertently removed. An internal review was conducted prior to the exam and the notice was added back to the application September 2016.*

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

Company Response: *The Company will amend the Insurance Credit Score Disclosure to comply with § 38.2-2234 A 1 of the Code of Virginia.*

Licensing and Appointment Review

Elephant Insurance Company shall:

Pay commissions only to a trade name when it is filed with the Bureau.

Company Response: *While we respectfully stand by our original response that the sales agent in question was paid under the same name that is on file with the Bureau, our current process when onboarding new associates is to use their "legal name" as it is stated on their driver's license or other form of legal identification. The agent names listed in Guidewire would reflect this process.*

PART THREE- EXAMINERS' RECOMMENDATIONS

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

RECOMMENDATIONS

We recommend that the company take the following actions:

Rating

- Properly represent discounts applied to the policy on the declarations page. This includes the Channel/Affinity, Six Month Down Payment and Multi-Policy Discounts.

Company Response: *The Company is taking the necessary steps to ensure the applicable discounts of a policy correctly display on the declarations page including Channel/Affinity, Six Month Down Payment and Multi-Policy Discounts.*

Termination

- Obtain advance written notice when the insured requests cancellation of the policy.

Company Response: *The company is taking steps to obtain advance notice when the insured requests the cancellation of the policy until the policy contract can be revised as indicated by the Bureau.*

- Use the proper notice for mid-term cancellations based upon when the cancellation is mailed to the insured.

Company Response: *As a result of an internal review, this issue was identified prior to the examination and the Company subsequently updated the mid-term cancellation letter March 2017.*

- Cease making attempts to obtain funds from the insured's account after charging the NSF fee and/or the policy cancels, unless the insured has directly authorized the company to make a specific one-time attempt.

Company Response: *The Company will take the Bureau's recommendation under advisement and review its processes and procedures.*

- Only send a cancellation notice to lienholders listed on the policy.

Company Response: *The Company is taking the steps to update our systems to ensure the notice is sent to the lienholders listed on the policy.*

- Verify that the loss payees are shown on the declarations page correctly.

Company Response: *The Company is taking the steps to update our systems to ensure the correct loss payees are shown on the declarations page.*

Claims

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

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

- Make all denials in writing and keep a copy in the claim file.

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

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

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

- Pay an insured no more than what he or she is entitled to receive under the terms of the policy.

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

- Make payments under the correct coverage(s) properly when both Collision and UM coverages pertain to the claim.

Company Response: *While some cases are respectfully being disputed, and we have policies and procedures in place for this type of claim handling, we will provide refresher training to the associates that handle this function.*

- Remove the "EXCLUDED DRIVER" question from its "Notes" screen. Virginia does not permit the exclusion of drivers on private passenger automobile policies.

Company Response: *The Company is aware that Virginia does not permit the exclusion of drivers on private passenger automobile policies. The "Excluded Driver" question on the "Notes" screen in our system was not state specific; however, the removal of the field was planned prior to the exam and the launch screen was updated February 2017.*

- Make medical payments directly to the insured unless a statement from the insured authorizing the company to make payments directly to the medical provider has been obtained first.

Company Response: *The Company will ensure the associates who handle this claim function are aware of the current process.*

Forms

- Correct the typographical errors identified in the company's version of the Virginia standard auto forms and endorsements.

Company Response: *The Company is taking steps to correct the typographical and formatting errors in our version of the Virginia standard auto forms and endorsements.*

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted a prior market conduct examination of the private passenger automobile line of business of Elephant Insurance Company as of August 31, 2011.

During the examination, the company violated §§ 38.2-305 A, 38.2-502, 38.2-510 A 6, 38.2-511, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1, 38.2-610 A, 38.2-1905 A, 38.2-1906 A, 38.2-1906 D, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2220 of the Code of Virginia; as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 D, 14 VAC 5-400-80 D 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.

Andrea D. Baytop
Principal Insurance Market Examiner

Andrea Baytop

From: Toni Salomonsky <Toni.Salomonsky@elephant.com>
Sent: Thursday, April 05, 2018 5:50 PM
To: Andrea Baytop
Cc: Melody Morrissette; Joy Morton
Subject: Elephant Restitution--Undisputed Files
Attachments: Elephant Restitution-Undisputed Files.xlsx; CPA099-Support.pdf

Good Evening Andrea,

Hope all is well.

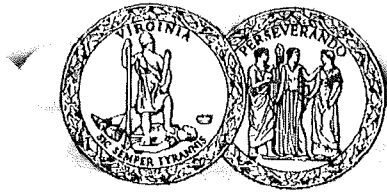
Please find the attached restitution spreadsheet for all of the undisputed items. The claim checks issued on 02-15-2018 was a result of the claim self-review #783. Also attached is supporting documentation for CPA099, we waived the UMPD deductible and issued the check for \$200.00 on 05-11-2017. Please let us know if you have any questions or need any additional information.

Thank you.

Toni Salomonsky | Regulatory Risk Manager
Elephant Insurance Services, LLC | P.O. Box 5005 | Glen Allen, VA 23058
T: 804-955-1700 Ext. 5534 | F: 804-592-2076 | E: toni.salomonsky@elephant.com



COMMONWEALTH OF VIRGINIA



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

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

June 22, 2018

VIA UPS 2nd DAY DELIVERY

Toni Salomonsky
Regulatory Risk Manager
Elephant Insurance Company
9950 Mayland Drive, Suite 400
Henrico, VA 23233

RE: Market Conduct Examination
Elephant Insurance Company (NAIC# 13688)
Examination Period: September 1, 2015 - August 31, 2016

Dear Ms. Salomonsky:

The Bureau of Insurance (Bureau) has reviewed the March 22, 2018 response and April 5, 2018 e-mail to the Preliminary Market Conduct Report (Report) of Elephant Insurance Company (Company). The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Review

- (1) After further review, the violations for RPA023, RPA024, RPA025, RPA033, and RPA038 have been withdrawn from the Report.
- (3b) The violation for RPA002 remains in the Report. The Bureau does not dispute the details displayed on the MVR and CLUE. This violation pertains to the Company not correctly applying surcharges to this policy for two same day at-fault accident/minor conviction combinations on December 25, 2012 and August 1, 2014. The Company surcharged the insured for one at-fault accident and one minor conviction instead of surcharging for two at-fault accidents per Rule D04-Driving Record Factors in Serff Tracking #: EINS-130190957.
- (3c) After further review, the violation for RPA024 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (3e) The violations for RPA017, RPA018, and RPA033 remain in the Report. The Company's application of the rule does not follow the steps outlined in the rule. Further, the Company's application of the rule does not follow the steps shown in the Explanatory Memorandum.

Automobile Renewal Business Review

- (1) After further review, the violations for RPA045, RPA046, RPA049, RPA053, RPA057, RPA061, RPA068, RPA070, RPA071, RPA083, RPA094, and RPA095 have been withdrawn from the Report.
- (3c) After further review, the violations for RPA059, RPA075, and RPA078 have been withdrawn from the Report.
- (3e) The violations for RPA043, RPA044, RPA051, RPA053, RPA057, RPA059, RPA061, RPA070, RPA089, and RPA091 remain in the Report. The Company's application of the rule does not follow the steps outlined in the rule. Further, the Company's application of the rule does not follow the steps shown in the Explanatory Memorandum.

Cancellation Notice Mailed Prior to the 60th Day of Coverage Review

- (5b) After further review, the violation for TPA035 has been withdrawn from the Report.
- (5d) After further review, the violation for TPA003 has been withdrawn from the Report.

Cancellation Notice Mailed After the 59th Day of Coverage Review

- (3) After further review, the violation for TPA086 has been withdrawn from the Report.

Nonpayment of the Premium Cancellation Review

- (1) After further review, the violation for TPA042 has been withdrawn from the Report.

Claims Review

- (1) The violation for CPA005 remains in the Report. The Company advised the Bureau on April 4, 2017 that the recorded statement would be provided to support the Company's position. The Company has not provided the transcript or the recording.
After further review, the violation for CPA037 has been withdrawn from the Report.
- (2c) The violation for CPA005 remains in the Report. The Company advised the Bureau on April 4, 2017 that the recorded statement would be provided to support the Company's position. The Company has not provided the transcript or the recording.
The violation for CPA056 remains in the Report. The Company responded that "Rental was discussed and noted when it would be provided...". This discussion was between the Company and the direct repair facility. The discussion was not with the insured. Regardless of the repair facility chosen, the Company should have advised the insured of her rental benefits available during the repair time.
The violation for CPA093 remains in the Report. The Bureau has previously advised the Company that the email the Company provided does not include the sentence

"Should you require a rental during repairs...". The Bureau will reconsider this violation if the Company can provide documentation of this email.

- (3) After further review, the violations for CPA023 have been withdrawn from the Report. This violation has been added to Review sheet ClaimVehPPA-723207978 for failure to properly document the claim file. The Report has been renumbered to reflect this change.
- (5) After further review, the violation for CPA045 and CPA085 have been withdrawn from the Report. The Report has been renumbered to reflect this change.
- (6) The violation for CPA051 is addressed under Item (6g).
- (6b) The violation for CPA014 remains in the Report. The loss was reported October 29, 2015. The Company would not approve rental until it confirmed there was no prior damage based on the loss being within 60 days of the policy inception. The Company also required recent photos from the insured to confirm the vehicle was not drivable. The file is not clear as to why the Company thought the insured had prior damage that rendered the vehicle inoperable at the time the policy was written. On November 3, 2015, the Company approved coverage and authorized a rental. The vehicle was inspected November 5, 2015 wherein the Company noted that the vehicle was "hit very hard right quarter panel." The Company made several phone calls to the body shop requesting additional information regarding repairs but made no attempt to reinspect the vehicle knowing that the damage was significant and knowing that the insured was not getting any assistance from the body shop regarding parts delays. The Company did not provide the insured with reasonable assistance and should reimburse the insured the additional rental which is covered under the UMPD portion of her policy.

The violation for CPA055 remains in the Report. The Company would not authorize a rental on April 29, 2016 even though the tail light was damaged and the vehicle could not be driven. Rental was authorized on May 19, 2016, twenty days after the loss. There is nothing in the Company's file to confirm that the vehicle was released from the garage on June 24, 2016. The last note in the file on June 24, 2016 states, "Follow up Required: Y Callback Set: Confirm vehicle was delivered". There is no follow up to this note. It appears that the repair issues continued even beyond the return of the rental on June 27, 2016 based on the appraiser's note of July 6, 2016 which states, "Vehicle has been delivered back to owner and they are not happy with the way the A/M RT side cover fits on the vehicle. Jimmy has supplied photos of repair completion. The RT side cover is not aligned properly with the RT quarter panel. I reviewed this with Will at Elephant and OEM cover is needed." The Company should refund the 3 days of rental for \$162.49.

The violation for CPA044 is addressed under Item (6e).

- (6d) The Company has not paid the restitution on CPA039 and has not provided any additional documentation for the Bureau to review. The Company paid the provider directly and did not have a valid Assignment of Benefits. The Company should review § 38.2-2201 of the Code of Virginia. No payment should be made to a provider without a valid Assignment of Benefits signed by the insured.
After further review, the violation for CPA085 has been withdrawn from the Report.
- (6e) After further review, the violation for CPA044 has been withdrawn from the Report.
- (6f) After further review, the violation for CPA022 has been withdrawn from the Report.

After further review, the violations for CPA045 has been withdrawn from the Report. The violation for ClaimVehPPA781343037 was previously withdrawn on January 18, 2018.

(6g) The violation for CPA051 remains in the Report. This UMPD loss was reported on April 19, 2016. The Company delayed the investigation, delayed making a coverage decision, and further delayed inspecting the vehicle. The Company gave the insured no assistance until almost four months after the accident. The Company told the insured at the onset of the claim, "I regret you do not have collision coverage for us to help with you early in the claim..." The insured was not properly informed of coverages. The insured was not informed regarding storage until the charges were incurred. The insured was not informed of the option for a direct repair facility. The Company should confirm the amount of storage fees incurred and reimburse the insured. This violation has been rewritten to Review Sheet ClaimVehPPA 1529493038 and now appears under Item (e) of the Report.

(8) After further review, the violation for CPA071 has been withdrawn from the Report.

(9) The violation for CPA054 remains in the Report. This loss occurred April 23, 2016. The Company obtained the police report, but would not approve UMPD without photos of the insured's car that the Company later decided to inspect. On May 16, 2016, the vehicle was determined to be a total loss and UMPD was approved May 19, 2016. No offer was made to the insured until May 31, 2016, but UMPD was again in question as of June 13, 2016. On August 10, 2016, the Company inexplicably continued the UMPD investigation. During this lengthy process, the insured was exposed to a deductible that was not applicable to the loss.

After further review, the violations for CPA076 and CPA081 have been withdrawn from the Report.

(10a) The violation for CPA071 remains in the Report. This hit/run parking lot accident was reported June 20, 2016. The Company took a recorded statement from the insured June 20, 2016. The Company was aware that a police report had been made. The Company called the apartment complex and tried to obtain video footage of the parking lot. The Company checked the parking lot for other damaged vehicles. The Company appraised the insured's vehicle and concluded that the damage was from a hit/run accident. A decision to afford UMPD coverage was finally made on June 28, 2016. The reasoning for the intense investigation was never explained in the claim file. Meanwhile, the insured was without a vehicle. Finally, on July 5, 2016, the Company issued payment on this parking lot accident.

The violation for CPA096 remains in the Report. The Company took a recorded statement from the insured on July 8, 2016 for this hit/run parking lot accident. The Company was aware that a police report had been made. On July 17, 2016, the Company decided it was unable to afford UMPD coverage without photos of the vehicle. On July 20, 2016, the Company then decided it needed a Proof of Loss from the insured. The insured returned the document July 27, 2016 and a check was issued July 28, 2016 for repair of the vehicle. On August 4, 2016, the vehicle was determined to be a total loss. The July 28, 2016 check was voided on August 8, 2016. The total loss evaluation was finally completed on August 9, 2016, but an offer was not made to the insured until August 15, 2016. On August 26, 2016, the Company finally settled this July 6, 2016 loss.

The violation for CPA097 remains in the Report. The Company was aware that this was a UMPD claim on August 24, 2016, but waited until September 3, 2016 to inform the insured. On September 16, 2016, the Company received an estimate from the insured and the Company decided it needed photos. On September 22, 2016, the Company deemed the vehicle a total loss, but an evaluation was not completed until October 5, 2016, and an offer was finally made on October 11, 2016. The delays were not the insured's responsibility, but instead were the Company's.

The violation for CPA104 remains in the Report. This UMPD loss was reported on May 9, 2016. The insured was hit in the rear, obtained the license plate of the at-fault party, and reported the loss to the police. The Company tried to obtain camera footage of nearby businesses without success; apparently to confirm that an accident actually happened even though there was a police investigation. The Company then developed concerns over the insured adding the vehicle to the policy on April 20, 2016, which prompted the Company to request the Bill of Sale from the insured on May 23, 2016. On the same day (5/23/2016), the Company decided to investigate a 2014 loss involving the vehicle prior to the insured purchasing the vehicle in 2016. After confirming that the 2014 loss did not involve rear-end damage, the Company then decided it needed to contact the dealership who sold the vehicle to the insured to confirm that it was not damaged at the time of the sale. Having confirmed this, the Company then decided it needed more information on the at-fault party. Although there had never been any indication that he had insurance, the Company decided UMPD could not be approved until the absence of insurance was confirmed. On July 19, 2016, the Company advised the insured that they had approved UMPD and could issue payment in the amount of \$761.41.

- (10c) The violation for CPA014 remains in the Report. The loss was reported October 29, 2015. The Company would not approve rental until it confirmed there was no prior damage based on the loss being within 60 days of the policy inception. The Company also required recent photos from the insured to confirm the vehicle was not drivable. On November 3, 2015, the Company approved coverage and authorized a rental. The vehicle was inspected November 5, 2015 wherein the Company noted that the vehicle was "hit very hard right quarter panel." The Company made several phone calls to the body shop requesting additional information regarding repairs, but made no attempt to reinspect the vehicle knowing that the damage was significant and knowing that the insured was not getting any assistance from the body shop regarding parts delays. The Company did not provide the insured with reasonable assistance and did not handle the insured's claim promptly.
- (11) After further review, the violation for CPA079 has been withdrawn from the Report. The Report has been renumbered to reflect this change.
- (13) The violation for CPA003 remains in the Report. The Company should review § 38.2-2201 of the Code of Virginia. This insured had private health care coverage. Absent the Explanation of Benefits from the health care insurer, the Company could not know if it reduced bills below the allowable amount that was agreed to between the provider and the health care insurer. The Company cannot re-price and reduce a bill that has already been reduced through the contractual agreement between the provider and the health care insurer.

Other Law Violations

After further review this violation has been withdrawn

Agent Review

The violations for AG003 and AG004 remain in the Report. The Agent of Record as indicated in the Company provided documentation was a different name than the name registered and maintained in the Bureau's records. For reconsideration, the Company should provide evidence that it paid the Agent of Record under the name registered with the Bureau.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (5) The Company should indicate when the filing(s) will be made to correct the issues found during the Market Conduct Exam.
- (6) The Company should indicate when the filing(s) will be made to correct the issues found during the Market Conduct Exam.

Termination Review

- (5) The Company should indicate when the system review of its return premium calculations will occur.

Claims

- (1) The Company should make the outstanding restitution to insureds as indicated in the Revised Restitution Spreadsheet enclosed.

Forms Review

The Company should indicate when it will implement the approved rate class statement.

Notices Review

The Company should provide a copy of all the notices cited in this section and state the implementation date of the corrected notice, if not provided.

PART THREE – RECOMMENDATIONS

Termination Review

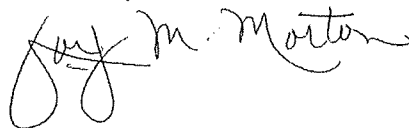
- The Company should immediately cease making multiple attempts to deduct funds from insured's accounts after charging the NSF/Late fees or the cancelling the policy.

- The Company should provide the estimated completion date of the system update, that will ensure that the cancellation notice is only sent to the lienholders listed on the policy.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by July 16, 2018.

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by July 16, 2018.

Sincerely,

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

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

Enclosures



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

August 1st, 2018

VIA EMAIL: OVERNIGHT DELIVERY

Ms. Joy M. Morton, Manager
Virginia Bureau of Insurance
Market Conduct Section, Property and Casualty Division
PO Box 1157
Richmond, VA 23218

RE: Market Conduct Examination, Second Response
September 1, 2015 – August 31, 2016
Elephant Insurance Company (NAIC #13688)

Dear Ms. Morton:

Elephant Insurance Company (Elephant) appreciates the opportunity to review and respond to the draft report dated June 22nd, 2018. We certainly understand and respect the intent of performing market conduct exams and assure the Bureau we are dedicated to maintaining compliance.

The data provided in the report is in the format instructed by the Bureau of Insurance (Bureau) and documents containing confidential information have been redacted as directed. Additionally, exhibits are attached with supporting documentation. Please note we are still disputing one account with regards to restitution, should the restitution need to be paid, we will comply once the disposition of the case is determined.

We would like to thank you and your team for your considerations and assistance during the course of the exam and look forward to your response. Should you have questions or need additional assistance, please do not hesitate to contact me at 804-955-1700, extension 5534.

Sincerely,

Toni Salomonsky

Toni Salomonsky, Regulatory Risk Manager
toni.salomonsky@elephant.com
Elephant Insurance Services, LLC



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

PART ONE - EXAMINERS' OBSERVATIONS

Automobile New Business Review

(1) After further review, the violations for RPA023, RPA024, RPA025, RPA033, and RPA038 have been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of RPA023, RPA024, RPA025, RPA033, and RPA038.*

(3b) The violation for RPA002 remains in the Report. The Bureau does not dispute the details displayed on the MVR and CLUE. This violation pertains to the Company not correctly applying surcharges to this policy for two same day at-fault accident/minor conviction combinations on December 25, 2012 and August 1, 2014. The Company surcharged the insured for one at-fault accident and one minor conviction instead of surcharging for two at-fault accidents per Rule 004-Driving Record Factors in Serff Tracking #: EINS-130190957.

Company Response: *We respectfully disagree, please see the file notes submitted by the sales agent dated September 21st, 2015; the day the application was bound. The insured advised the sales agent that they were duplicate incidents. (Exhibit 1)*

(3c) After further review, the violation for RPA024 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

Company Response: *The Company appreciates the reconsideration of RPA024.*

(3e) The violations for RPA017, RPA018, and RPA033 remain in the Report. The Company's application of the rule does not follow the steps outlined in the rule. Further, the Company's application of the rule does not follow the steps shown in the Explanatory Memorandum.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding regarding the rule listed in RPA017, RPA018 and RPA033; however, have no new evidence to present.*

Automobile Renewal Business Review

(1) After further review, the violations for RPA045, RPA046, RPA049, RPA053, RPA057, RPA061, RPA068, RPA070, RPA071, RPA083, RPA094, and RPA095 have been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of RPA045, RPA046, RPA049, RPA053, RPA057, RPA061, RPA068, RPA070, RPA071, RPA083, RPA094, and RPA095.*

(3c) After further review, the violations for RPA059, RPA075, and RPA078 have been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of RPA059, RPA075, and RPA078.*



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

(3e) The violations for RPA043, RPA044, RPA051, RPA053, RPA057, RPA059, RPA061, RPA070, RPA089, and RPA091 remain in the Report. The Company's application of the rule does not follow the steps outlined in the rule. Further, the Company's application of the rule does not follow the steps shown in the Explanatory Memorandum.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding regarding the rule listed in RPA043, RPA044, RPA051, RPA053, RPA057, RPA059, RPA061, RPA070, RPA089, and RPA091; however, have no new evidence to present.*

Cancellation Notice Mailed Prior to the 60th Day of Coverage Review

(5b) After further review, the violation for TPA035 has been withdrawn from the Report.

(5d) After further review, the violation for TPA003 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of TPA035 and TPA003.*

Cancellation Notice Mailed After the 59th Day of Coverage Review

(3) After further review, the violation for TPA086 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of TPA086.*

Nonpayment of the Premium Cancellation Review

(1) After further review, the violation for TPA042 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of TPA042.*

Claims Review

(1) The violation for CPA005 remains in the Report. The Company advised the Bureau on April 4, 2017 that the recorded statement would be provided to support the Company's position. The Company has not provided the transcript or the recording.

Company Response:

The Company has submitted to the Bureau the call in question via a secured file sharing site.

After further review, the violation for CPA037 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA037.*

(2c) The violation for CPA005 remains in the Report. The Company advised the Bureau on April 4, 2017 that the recorded statement would be provided to support the Company's position. The Company has not provided the transcript or the recording.



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

Company Response:

The Company has submitted to the Bureau the call in question via a secured file sharing site.

The violation for CPA056 remains in the Report. The Company responded that "Rental was discussed and noted when it would be provided ...". This discussion was between the Company and the direct repair facility. The discussion was not with the insured. Regardless of the repair facility chosen, the Company should have advised the insured of her rental benefits available during the repair time.

Company Response:

The Company has submitted to the Bureau the call in question via a secured file sharing site.

The violation for CPA093 remains in the Report. The Bureau has previously advised the Company that the email the Company provided does not include the sentence "Should you require a rental during repairs ...". The Bureau will reconsider this violation if the Company can provide documentation of this email.

Company Response:

We respectfully disagree, please see the highlighted verbiage in the attached exhibit. Please see Exhibit 2.

After further review, the violations for CPA023 have been withdrawn from the Report. This violation has been added to Review sheet ClaimVehPPA-723207978 for failure to properly document the claim file. The Report has been renumbered to reflect this change.

CompanyResponse:

The Company acknowledges this criticism.

- (5) After further review, the violation for CPA045 and CPA085 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

Company Response:

The Company appreciates the reconsideration of CPA045 and CPA085.

- (6) The violation for CPA051 is addressed under Item (6g).

- (6b) The violation for CPA014 remains in the Report. The loss was reported October 29, 2015. The Company would not approve rental until it confirmed there was no prior damage based on the loss being within 60 days of the policy inception. The Company also required recent photos from the insured to confirm the vehicle was not drivable. The file is not clear as to why the Company thought the insured had prior damage that rendered the vehicle inoperable at the time the policy was written. On November 3, 2015, the Company approved coverage and authorized a rental. The vehicle was inspected November 5, 2015 wherein the Company noted that the vehicle was "hit very hard right quarter panel." The Company made several phone calls to the body shop requesting additional information regarding repairs but made no attempt to reinspect the vehicle knowing that the damage was significant and knowing that the insured was not getting any assistance from the body shop regarding parts delays. The Company did not provide the insured with reasonable assistance and should reimburse the insured the additional rental which is covered under the UMPD portion of her policy.



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
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Company Response:

The Company acknowledges this criticism.

The violation for CPA055 remains in the Report. The Company would not authorize a rental on April 29, 2016 even though the tail light was damaged and the vehicle could not be driven. Rental was authorized on May 19, 2016, twenty days after the loss. There is nothing in the Company's file to confirm that the vehicle was released from the garage on June 24, 2016. The last note in the file on June 24, 2016 states, "Follow up Required: Y Callback Set: Confirm vehicle was delivered". There is no follow up to this note. It appears that the repair issues continued even beyond the return of the rental on June 27, 2016 based on the appraiser's note of July 6, 2016 which states, "Vehicle has been delivered back to owner and they are not happy with the way the AIM RT side cover fits on the vehicle. Jimmy has supplied photos of repair completion. The RT side cover is not aligned properly with the RT quarter panel. I reviewed this with Will at Elephant and OEM cover is needed." The Company should refund the 3 days of rental for \$162.49.

Company Response:

The Company acknowledges this criticism.

The violation for CPA044 is addressed under Item (6e).

- 6d) The Company has not paid the restitution on CPA039 and has not provided any additional documentation for the Bureau to review. The Company paid the provider directly and did not have a valid Assignment of Benefits. The Company should review § 38.2-2201 of the Code of Virginia. No payment should be made to a provider without a valid Assignment of Benefits signed by the insured.

Company Response: *The Company acknowledges this criticism.*

After further review, the violation for CPA085 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA085.*

- (6e) After further review, the violation for CPA044 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA044.*

- (6f) After further review, the violation for CPA022 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA022.*

After further review, the violations for CPA045 has been withdrawn from the Report. The violation for ClaimVehPPA781343037 was previously withdrawn on January 18, 2018.

Company Response: *The Company appreciates the reconsideration of CPA045.*



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Glen Allen, VA 23058-5005
www.elephant.com

- (6g) The violation for CPA051 remains in the Report. This UMPD loss was reported on April 19, 2016. The Company delayed the investigation, delayed making a coverage decision, and further delayed inspecting the vehicle. The Company gave the insured no assistance until almost four months after the accident. The Company told the insured at the onset of the claim, "I regret you do not have collision coverage for us to help with you early in the claim..." The insured was not properly informed of coverages. The insured was not informed regarding storage until the charges were incurred. The insured was not informed of the option for a direct repair facility. The Company should confirm the amount of storage fees incurred and reimburse the insured. This violation has been rewritten to Review Sheet ClaimVehPPA- 1529493038 and now appears under Item (e) of the Report.

Company Response: *The Company acknowledges the move to a new review sheet.*

- (8) After further review, the violation for CPA071 has been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA071.*

- (9) The violation for CPA054 remains in the Report. This loss occurred April 23, 2016. The Company obtained the police report but would not approve UMPD without photos of the insured's car that the Company later decided to inspect. On May 16, 2016, the vehicle was determined to be a total loss and UMPD was approved May 19, 2016. No offer was made to the insured until May 31, 2016, but UMPD was again in question as of June 13, 2016. On August 10, 2016, the Company inexplicably continued the UMPD investigation. During this lengthy process, the insured was exposed to a deductible that was not applicable to the loss.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

After further review, the violations for CPA076 and CPA081 have been withdrawn from the Report.

Company Response: *The Company appreciates the reconsideration of CPA076 and CPA081.*

- (10a) The violation for CPA071 remains in the Report. This hit/run parking lot accident was reported June 20, 2016. The Company took a recorded statement from the insured June 20, 2016. The Company was aware that a police report had been made. The Company called the apartment complex and tried to obtain video footage of the parking lot. The Company checked the parking lot for other damaged vehicles. The Company appraised the insured's vehicle and concluded that the damage was from a hit/run accident. A decision to afford UMPD coverage was finally made on June 28, 2016. The reasoning for the intense investigation was never explained in the claim file. Meanwhile, the insured was without a vehicle. Finally, on July 5, 2016, the Company issued payment on this parking lot accident.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

The violation for CPA096 remains in the Report. The Company took a recorded statement from the insured on July 8, 2016 for this hit/run parking lot accident. The Company was aware that a police report had been made. On July 17, 2016, the Company decided it was unable to afford UMPD coverage without photos of the vehicle. On July 20, 2016, the Company then decided it needed a Proof of Loss from the insured. The insured returned the document July 27, 2016 and a check was issued July 28, 2016 for repair of the vehicle. On August 4, 2016, the vehicle was determined to be a total loss. The July 28, 2016 check was voided on August 8, 2016. The total loss evaluation was finally completed on August 9, 2016, but an offer was not made to the insured until August 15, 2016. On August 26, 2016, the Company finally settled this July 6, 2016 loss.



Elephant Insurance Company
PO Box 5005
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Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

The violation for CPA097 remains in the Report. The Company was aware that this was a UMPD claim on August 24, 2016 but waited until September 3, 2016 to inform the insured. On September 16, 2016, the Company received an estimate from the insured and the Company decided it needed photos. On September 22, 2016, the Company deemed the vehicle a total loss, but an evaluation was not completed until October 5, 2016, and an offer was finally made on October 11, 2016. The delays were not the insured's responsibility, but instead were the Company's.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

The violation for CPA104 remains in the Report. This UMPD loss was reported on May 9, 2016. The insured was hit in the rear, obtained the license plate of the at-fault party, and reported the loss to the police. The Company tried to obtain camera footage of nearby businesses without success; apparently to confirm that an accident actually happened even though there was a police investigation. The Company then developed concerns over the insured adding the vehicle to the policy on April 20, 2016, which prompted the Company to request the Bill of Sale from the insured on May 23, 2016. On the same day (5/23/2016), the Company decided to investigate a 2014 loss involving the vehicle prior to the insured purchasing the vehicle in 2016. After confirming that the 2014 loss did not involve rear-end damage, the Company then decided it needed to contact the dealership who sold the vehicle to the insured to confirm that it was not damaged at the time of the sale. Having confirmed this, the Company then decided it needed more information on the at-fault party. Although there had never been any indication that he had insurance, the Company decided UMPD could not be approved until the absence of insurance was confirmed. On July 19, 2016, the Company advised the insured that they had approved UMPD and could issue payment in the amount of \$761.41.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

- (10c) The violation for CPA014 remains in the Report. The loss was reported October 29, 2015. The Company would not approve rental until it confirmed there was no prior damage based on the loss being within 60 days of the policy inception. The Company also required recent photos from the insured to confirm the vehicle was not drivable. On November 3, 2015, the Company approved coverage and authorized a rental. The vehicle was inspected November 5, 2015 wherein the Company noted that the vehicle was "hit very hard right quarter panel." The Company made several phone calls to the body shop requesting additional information regarding repairs, but made no attempt to re-inspect the vehicle knowing that the damage was significant and knowing that the insured was not getting any assistance from the body shop regarding parts delays. The Company did not provide the insured with reasonable assistance and did not handle the insured's claim promptly.

Company Response:

The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.

- (11) After further review, the violation for CPA079 has been withdrawn from the Report. The Report has been renumbered to reflect this change.



Elephant Insurance Company
PO Box 5005
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Company Response: *The Company appreciates the reconsideration of CPA079.*

- (13) The violation for CPA003 remains in the Report. The Company should review § 38.2- 2201 of the Code of Virginia. This insured had private health care coverage. Absent the Explanation of Benefits from the health care insurer, the Company could not know if it reduced bills below the allowable amount that was agreed to between the provider and the health care insurer. The Company cannot re-price and reduce a bill that has already been reduced through the contractual agreement between the provider and the health care insurer.

Company Response: *The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.*

Other Law Violations

After further review this violation has been withdrawn

Company Response: *The Company appreciates the reconsideration of CPA085.*

Agent Review

The violations for AG003 and AG004 remain in the Report. The Agent of Record as indicated in the Company provided documentation was a different name than the name registered and maintained in the Bureau's records. For reconsideration, the Company should provide evidence that it paid the Agent of Record under the name registered with the Bureau.

Company Response:

The Company continues to respectfully disagree with the Bureau's finding; however, has no new evidence to submit.

PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (5) The Company should indicate when the filing(s) will be made to correct the issues found during the Market Conduct Exam.

Company Response:

Currently the Company is reviewing each criticism named in the exam to ensure all intended rating factors are on file with the Bureau. The review will be complete within 90 days of submission of this report.

- (7) The Company should indicate when the filing(s) will be made to correct the issues found during the Market Conduct Exam.

Company Response:

Currently the Company is reviewing each criticism named in the exam to ensure all intended rating factors are on file with the Bureau. The review will be complete within 90 days of submission of this report.



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
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Termination Review

- (5) The Company should indicate when the system review of its return premium calculations will occur.

Company Response:

The Company has asked its internal Audit department to review the system's return premium calculations. The Audit will be completed within 90 days of submission of this response.

Claims

- (1) The Company should make the outstanding restitution to insureds as indicated in the Revised Restitution Spreadsheet enclosed.

Company Response:

Restitution has been made, please see the accompanying spreadsheet.

Forms Review

The Company should indicate when it will implement the approved rate class statement.

Company Response:

The Company is currently reviewing its current rate class statement on file with the Bureau to ensure compliance.

Notices Review

The Company should provide a copy of all the notices cited in this section and state the implementation date of the corrected notice, if not provided.

Company Response:

The Company is currently reviewing its notices to ensure compliance with what's on file with the Bureau. The review will be complete within 90 days of submission of this report.



Elephant Insurance Company
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PART THREE - RECOMMENDATIONS

Termination Review

- The Company should immediately cease making multiple attempts to deduct funds from insured's accounts after charging the NSF/Late fees or the cancelling the policy.

Company Response:

The Company appreciates the Bureau's recommendation and will continue to consider it and review its processes and procedures in order to make any necessary changes to ensure compliance with applicable state and federal law.

- The Company should provide the estimated completion date of the system update, that will ensure that the cancellation notice is only sent to the lienholders listed on the policy.

Company Response: *The Company is currently researching as to why the system populates an invalid lienholder on the declarations page.*

COMMONWEALTH OF VIRGINIA



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

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

August 31, 2018

VIA UPS 2nd DAY DELIVERY

Toni Salomonsky
Regulatory Risk Manager
Elephant Insurance Company
9950 Mayland Drive, Suite 400
Henrico, Virginia 23233

RE: Market Conduct Examination
Elephant Insurance Company (NAIC# 13688)
Examination Period: September 1, 2015 - August 31, 2016

Dear Ms. Salomonsky:

The Bureau of Insurance (Bureau) has reviewed the August 1, 2018 response to the Preliminary Market Conduct Report (Report) of Elephant Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Review

(3b) The violation for RPA002 remains in the Report. There were duplicate incidents because the accidents appeared on the MVR and CLUE reports. Per the Company's Exhibit 1, the insured confirmed that she had the December 25, 2012 and August 1, 2014 accidents. The Company correctly surcharged the policy for the August 1, 2014 accident, but incorrectly surcharged for the conviction occurring on the same day. The Company should have surcharged the policy for the December 25, 2012 accident instead of the conviction that occurred on the same day. Rule D04-Driving Record Factors, Same Day Offenses states, "If there were multiple convictions or accidents that occurred on the same day: Apply surcharge factors for all at-

fault accidents, major violations and DUIs. If any minor violations or speeding violations occurred on the same day as at-fault accidents, major violations, and/or DUIs, do not apply surcharge factors for any minor or speeding violations.”

Claims Review

(1) After further review, the violation for CPA005 has been withdrawn from the Report. The Company has provided the requested documentation.

(2c) After further review, the violation for CPA005 has been withdrawn from the Report. The Company has provided the requested documentation.

After further review, the violation for CPA056 has been withdrawn from the Report. The Company has provided the requested documentation.

After further review, the violation for CPA093 has been withdrawn from the Report. The Company has provided the requested documentation.

PART TWO – CORRECTIVE ACTION PLAN

Forms Review

The Company must either use the rate class statement filed with the Bureau or file the rate class statement the company is using with the Bureau.

PART THREE – RECOMMENDATIONS

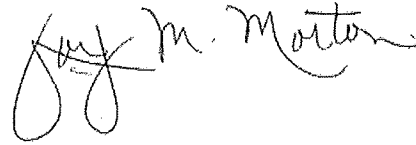
Termination Review

- After further review, the Bureau has withdrawn this item from the Report. Please note that the Bureau is still concerned that an insured may incur unreasonable overdraft fees or make duplicate late payments when the Company continually attempts to obtain funds from an insured's zero balance account more than two days after the installment due date. Two days after the installment due date, the Company has charged the NSF fee and sent the insured a cancellation notice requesting the overdue payment.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by September 20, 2018.

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by September 20, 2018.

Sincerely,

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

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

Enclosures



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

September 19th, 2018

VIA: EMAIL
OVERNIGHT DELIVERY

Ms. Joy M. Morton, Manager
Virginia Bureau of Insurance
Market Conduct Section, Property and Casualty Division
PO Box 1157
Richmond, VA 23218

RE: Market Conduct Examination
September 1, 2015 – August 31, 2016
Elephant Insurance Company (NAIC #13688)

Dear Ms. Morton:

Elephant Insurance Company (Elephant) appreciates the opportunity to review and respond to the draft report dated August 31st, 2018. We certainly understand and respect the intent of performing market conduct exams and assure the Bureau we are dedicated to maintaining compliance.

The data provided in the report is in the format instructed by the Bureau of Insurance (Bureau). Any outstanding disputed restitution has been paid and the file is attached with this report.

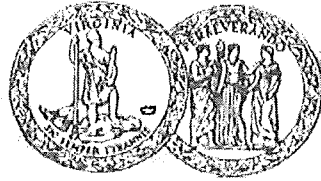
We would like to thank you and your team for your considerations and assistance during the course of the exam and look forward to your response. Should you have questions or need additional assistance, please do not hesitate to contact me at 804-955-1700, extension 5534.

Sincerely,

Toni Salomonsky

Toni Salomonsky, Regulatory Risk Manager
toni.salomonsky@elephant.com
Elephant Insurance Services, LLC

COMMONWEALTH OF VIRGINIA



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

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1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804)-371-9741
www.sec.virginia.gov/boi

August 31, 2018

VIA UPS 2nd DAY DELIVERY

Toni Salomonsky
Regulatory Risk Manager
Elephant Insurance Company
9950 Mayland Drive, Suite 400
Henrico, Virginia 23233

RE: Market Conduct Examination
Elephant Insurance Company (NAIC# 13688)
Examination Period: September 1, 2015 - August 31, 2016

Dear Ms. Salomonsky:

The Bureau of Insurance (Bureau) has reviewed the August 1, 2018 response to the Preliminary Market Conduct Report (Report) of Elephant Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE - EXAMINERS' OBSERVATIONS

Automobile New Business Review

(3b) The violation for RPA002 remains in the Report. There were duplicate incidents because the accidents appeared on the MVR and CLUE reports. Per the Company's Exhibit 1, the insured confirmed that she had the December 25, 2012 and August 1, 2014 accidents. The Company correctly surcharged the policy for the August 1, 2014 accident, but incorrectly surcharged for the conviction occurring on the same day. The Company should have surcharged the policy for the December 25, 2012 accident instead of the conviction that occurred on the same day. Rule D04-Driving Record Factors, Same Day Offenses states, "If there were multiple convictions or accidents that occurred on the same day: Apply surcharge factors for all at-fault accidents, major violations and DUIs. If any minor violations or speeding violations occurred on the same day as at-fault accidents, major violations, and/or DUIs, do not apply surcharge factors for any minor or speeding or speeding violations."

Claims Review

- (1) After further review, the violation for CPA005 has been withdrawn from the Report. The Company has provided the requested documentation.
- (2c) After further review, the violation for CPA005 has been withdrawn from the Report. The Company has provided the requested documentation.
- After further review, the violation for CPA056 has been withdrawn from the Report. The Company has provided the requested documentation.
- After further review, the violation for CPA093 has been withdrawn from the Report. The Company has provided the requested documentation.

Company Response: *The Company appreciates the reconsideration of CPA005-both items, CPA056, CPA093.*

PART TWO - CORRECTIVE ACTION PLAN

Forms Review

The Company must either use the rate class statement filed with the Bureau or file the rate class statement the company is using with the Bureau.

Company Response: *The Company filed the current rate class statement on 09/19/2018 and is awaiting approval.*

PART THREE - RECOMMENDATIONS

Termination Review

- After further review, the Bureau has withdrawn this item from the Report. Please note that the Bureau is still concerned that an insured may incur unreasonable overdraft fees or make duplicate late payments when the Company continually attempts to obtain funds from an insured's zero balance account more than two days after the installment due date. Two days after the installment due date, the Company has charged the NSF fee and sent the insured a cancellation notice requesting the overdue payment.

Company Response: *The Company appreciates the reconsideration of this recommendation.*

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by September 20, 2018.

Once we have received and reviewed the Company's responses to these items, we will be in a position to make a settlement offer. We look forward to your response by September 20, 2018.

Sincerely,

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

Enclosures

COMMONWEALTH OF VIRGINIA

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



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September 25, 2018

VIA UPS 2nd DAY DELIVERY

Ms. Toni Salomonsky
Regulatory Risk Manager
Elephant Insurance Company
9950 Mayland Drive, Suite 400
Henrico, VA 23233

**RE: Market Conduct Examination
Elephant Insurance Company (NAIC# 13688)
Examination Period: September 1, 2015 – August 31, 2016**

Dear Ms. Salomonsky:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of September 19, 2018. Based upon the Bureau's review of the company's March 22, 2018, April 5, 2018, August 1, 2018 and September 19, 2018 correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Elephant Insurance Company (Report).

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

Sections 38.2-502 1, 38.2-510 A 6, 38.2-604 B, 38.2-604 C, 38.2-610 A, 38.2-1812 E, 38.2-1906 A, 38.2-1906 D, 38.2-2202 A, 38.2-2208 A, 38.2-2208 B, 38.2-2210 A, 38.2-2212 D, 38.2-2212 E, 38.2-2214, and 38.2-2234 A of the Code of Virginia; and 14 VAC 5-400-70 D of the Virginia Administrative Code.

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

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

Sincerely,

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



Elephant Insurance Company
PO Box 5005
Glen Allen, VA 23058-5005
www.elephant.com

October 17th, 2018

VIA: EMAIL
UPS 2nd DAY DELIVERY

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

RE: Market Conduct Examination Settlement Offer
Elephant Insurance Company (NAIC #13688)
Ecase/Docket Number: INS-2018-00218
Examination Period: September 01-2015 thru August 31, 2016

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's October 3rd, 2018 letter concerning the above referenced matter.

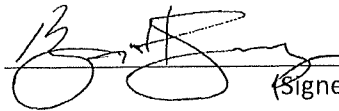
We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-502.1, 38.2-510 A 6, 38.2-604 B, 38.2-604 C, 38.2-610 A, 38.2-1812 E, 38.2-1906 A, 38.2-1906 D, 38.2-2202 A, 38.2-2208 A, 38.2-2208 B, 38.2-2210 A, 38.2-2212 D, 38.2-2212 E, 38.2-2214, and 38.2-2234 A 1 of the Code of Virginia; and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$63,200.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of March 22, 2018, August 1, 2018 and September 19, 2018.
3. We confirm that restitution was made to 52 consumers for \$15,817.20 in accordance with the company's letters of March 22, 2018, August 1, 2018 and September 19, 2018.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

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

Sincerely,

Elephant Insurance Company



(Signed)

BRYAN A. SPONZA

(Type or Print Name)

CORPORATE SECRETARY

(Title)

10/17/18

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA

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



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RICHMOND, VIRGINIA 23219
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Elephant Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$63,200.00 by its check numbered 020636 and dated October 17, 2018, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 1, 2018 SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

COMMONWEALTH OF VIRGINIA, *ex rel.*

2018 NOV - 1 P 4: 02

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2018-00218

ELEPHANT INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Elephant Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-502 (1) of the Code of Virginia ("Code") by misrepresenting the benefits, advantages, conditions or terms of an insurance policy; §§ 38.2-604 B, 38.2-610 A, 38.2-2202 A, 38.2-2210 A, and 38.2-2234 A (1) of the Code by failing to accurately provide the required notices to insureds; § 38.2-604 C of the Code by failing to have available for use the short form Notice of Information Collection and Disclosure Practices; § 38.2-1812 E of the Code by paying commissions to a trade name that was not registered with the Bureau; § 38.2-1906 A of the Code by failing to file with the Commission all rate and supplemental rate information; § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; §§ 38.2-2208 A, 38.2-2208 B, 38.2-2212 D and 38.2-2212 E of the Code by failing to properly terminate insurance policies; § 38.2-2214 of the Code by using a rate classification statement other than the one filed and approved by the Commission; and § 38.2 510 A (6) of the Code, as well as 14 VAC 5-400-70 D of the Commission's Rules

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Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

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

The Defendant has been advised of the right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has agreed to comply with the corrective action plan outlined in company correspondence dated March 22, 2018, August 1, 2018, and September 19, 2018, confirmed that restitution was made to 52 consumers in the amount of Fifteen Thousand Eight Hundred Seventeen Dollars and Twenty Cents (\$15,817.20), has tendered to Virginia the sum of Sixty-three Thousand Two Hundred Dollars (\$63,200), and waived the right to a hearing.

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

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

Accordingly, IT IS ORDERED THAT:

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

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

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Bryan H. Sponza, Corporate Secretary, Elephant Insurance Company, 9950 Mayland Drive,
Suite 400, Henrico, Virginia 23233; 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.