

MARKET CONDUCT EXAMINATION REPORT

OF

**ROCKINGHAM CASUALTY INSURANCE
COMPANY**

AND

ROCKINGHAM INSURANCE COMPANY

AS OF

December 31, 2017

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

**Property and Casualty Division
Market Conduct Section**

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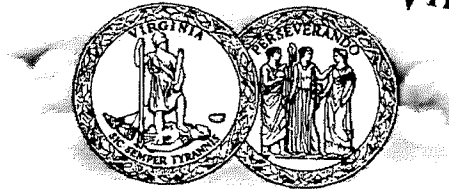
December 31, 2017

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

**Property and Casualty Division
Market Conduct Section**

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Karen S. Gerber, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Rockingham Casualty Insurance Company and Rockingham Insurance Company as of December 31, 2017, conducted at our office in Richmond, Virginia, is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No.: INS-2018-00239 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 11th of January, 2019.

Karen S. Gerber
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile and homeowner lines of business written by Rockingham Casualty Company and Rockingham Insurance Company at the office of the State Corporation Commission, Bureau of Insurance in Richmond, Virginia.

The examination commenced March 12, 2018 and concluded July 26, 2018. Brandon L. Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, Latitia L. Orange, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on January 26, 2018 and was assigned the Action Number of VA-VA097-14. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILES *

Rockingham Casualty Company was incorporated under the laws of Virginia on November 30, 1982 and commenced business on January 1, 1984. On September 20, 2013, a Special Meeting was held by Rockingham Mutual Insurance Company. At the meeting, the members voted to approve a Mutual Holding Company plan of conversion previously approved by the Commonwealth of Virginia. The creation of the holding companies, and Rockingham Group, Inc. and the change of Rockingham Mutual Insurance Company to Rockingham Insurance Company, a stock company, was approved

* Source: Best's Insurance Reports, Property & Casualty, 2017 Edition.

and effective by meetings of boards of directors of those companies on November 1, 2013.

All companies are based in Harrisonburg, Virginia.

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

GROUP CODE: 0899	RCC	RIC
NAIC Company Number	42595	10214
LICENSED IN VIRGINIA	12/1/1983	5/1/1968
LINES OF INSURANCE		
Accident and Sickness		
Aircraft Liability		
Aircraft Physical Damage		
Animal	1/14/2000	9/11/2001
Automobile Liability	X	9/11/2001
Automobile Physical Damage	X	9/11/2001
Boiler and Machinery	1/14/2000	9/11/2001
Burglary and Theft	1/14/2000	9/11/2001
Commercial Multi-Peril	1/14/2000	9/11/2001
Credit	12/31/2000	9/11/2001
Farmowners Multi-Peril	1/14/2000	9/11/2001
Fidelity	1/14/2000	9/11/2001
Fire	1/14/2000	X
General Liability	1/14/2000	X
Glass	1/14/2000	9/11/2001
Home Protection		9/11/2001
Homeowners Multi-Peril	1/14/2000	X
Inland Marine	1/14/2000	X
Miscellaneous Property	1/14/2000	X
Ocean Marine	12/1/2016	12/1/2016
Surety	1/14/2000	9/11/2001
Water Damage		9/11/2001
Workers' Compensation		

The table below shows the companies' 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 independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Rockingham Casualty Company		
Private Passenger Auto Liability	\$11,280,273	.37%
Private Passenger Auto Physical Damage	\$7,374,623	.31%
Rockingham Insurance Company		
Homeowners Multiple Peril	\$16,293,019	.76%

* 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 companies' private passenger automobile and homeowner lines of business written in Virginia for the period beginning July 1, 2017 and ending December 31, 2017. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance¹, 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 companies' operations were consistent with public interest.

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

In Part Two, the Corrective Action Plan identifies the violations that 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 companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

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

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

STATISTICAL SUMMARY

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

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

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

Population
Sample Requested

AREA	RCR 42595	RIC 10214	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
Private Passenger Auto							
New Business	$\frac{847}{25}$	$\frac{0}{0}$	$\frac{847}{25}$	25	0	23	92%
Renewal Business	$\frac{6632}{25}$	$\frac{0}{0}$	$\frac{6632}{25}$	25	0	24	96%
Co-Initiated Cancellations	$\frac{27}{27}$	$\frac{0}{0}$	$\frac{27}{27}$	27	0	15	56%
All Other Cancellations	$\frac{659}{36}$	$\frac{0}{0}$	$\frac{659}{36}$	36	0	15	42%
Nonrenewals	$\frac{66}{5}$	$\frac{0}{0}$	$\frac{66}{5}$	5	0	4	80%
Homeowner							
New Business	$\frac{0}{0}$	$\frac{1047}{25}$	$\frac{1047}{25}$	25	0	24	96%
Renewal Business	$\frac{0}{0}$	$\frac{9,393}{25}$	$\frac{9393}{25}$	25	0	25	100%
Co-Initiated Cancellations	$\frac{0}{0}$	$\frac{14}{14}$	$\frac{14}{14}$	14	0	7	50%
All Other Cancellations	$\frac{0}{0}$	$\frac{903}{36}$	$\frac{903}{36}$	36	0	4	11%
Nonrenewals	$\frac{0}{0}$	$\frac{123}{5}$	$\frac{123}{5}$	5	0	2	40%
Claims							
Auto ¹	$\frac{2898}{70}$	$\frac{0}{0}$	$\frac{2898}{70}$	69	0	23	33%
Property	$\frac{0}{0}$	$\frac{486}{45}$	$\frac{486}{45}$	45	0	12	27%

Footnote¹ - One claim not reviewed- insured withdrew claim immediately after reporting.

PART ONE - THE EXAMINERS' OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The examiners reviewed 25 new business policy files. During this review, the examiners found overcharges totaling \$224.40 and undercharges totaling \$168.70. The net amount that should be refunded to insureds is \$224.40 plus six percent (6%) simple interest.

- (1) The examiners found 53 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - b. In 42 instances, the company failed to use the correct symbol and/or model year factor.
 - c. In three instances, the company failed to use the correct classification factors.
 - d. In six instances, the company failed to use the filed premium determination rule.
 - e. In one instance, the company failed to use the correct rounding rule.
- (2) The examiners found one violation of § 38.2-2206 A of the Code of Virginia. The company failed to obtain a written rejection of higher Uninsured Motorists (UM) limits when issuing a policy with UM limits lower than the Liability coverage limits.

Automobile Renewal Business Policies

The examiners reviewed 25 new business policy files. During this review, the examiners found overcharges totaling \$390.60 and undercharges totaling \$103.00. The net amount that should be refunded to insureds is \$390.60 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 listed discounts on the declarations page that were not applicable to the policy.
- (2) The examiners found 70 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In three instances, the company failed to use the correct discounts and/or surcharges.
 - b. In 55 instances, the company failed to use the correct symbol and/or model year factors.
 - c. In two instances, the company failed to use the correct classification factors.
 - d. In three instances, the company failed to use the correct base and/or final rates.
 - e. In seven instances, the company failed to use the filed premium determination rule.

Homeowner New Business Policies

The examiners reviewed 25 new business policy files. During this review, the examiners found no overcharges and undercharges totaling \$10.80.

- (1) The examiners found 24 violations of § 38.2-305 A of the Code of Virginia. The

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

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

Homeowner Renewal Business Policies

The examiners reviewed 25 new business policy files. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found 26 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy.
- a. In 25 instances, the company failed to list forms on the declarations page that were applicable to the policy.
 - b. In one instance, the company listed a form on the declarations page that was not applicable to the policy.
- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to 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 examiners reviewed 13 automobile cancellations that were initiated by the

company where the notice was mailed prior to the 60th day of coverage in the initial policy period. During this review, the examiners found no overcharges and undercharges totaling \$30.00.

- (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 earned premium correctly.
- (2) The examiners found two violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (3) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the lienholder.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed 14 automobile cancellations that were initiated by the company where the notice was mailed 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 no overcharges and no undercharges.

- (1) The examiners found three violations of § 38.2-228 of the Code of Virginia. The company failed to file proof of financial responsibility with the Department of Motor Vehicles (DMV) when requested by the insured.
- (2) The examiners found eight violations of § 38.2-2208 A of the Code of Virginia.
 - a. In seven 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 proof of sending the cancellation notice to the insured.
- (3) The examiners found three violations of § 38.2-2208 B of the Code of Virginia.

- a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
 - b. In one instance, the company failed to retain proof of sending the cancellation notice to the lienholder.
- (4) The examiners found nine violations of § 38.2-2212 D of the Code of Virginia. The company cancelled the policy for a reason not permitted by the statute.
 - (5) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send the notice of cancellation to the address listed on the policy.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed 16 automobile cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$10.00 and no undercharges. The net amount that should be refunded to insureds is \$10.00 plus six percent (6%) simple interest.

- (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 earned premium correctly.
- (2) The examiners found four violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (3) The examiners found two violations of § 38.2-2208 B of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
- (4) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send the cancellation notice to the insured.

- (5) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to provide the required number of days' notice to the lienholder.

REQUESTED BY THE INSURED

The examiners reviewed 20 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-228 of the Code of Virginia. The company failed to file proof of financial responsibility with the DMV when requested by the insured.
- (2) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to abide by the provision in the insurance policy that requires the insured to request cancellation of the policy in advance of the effective date of the cancellation.

Company-Initiated Non-renewals – Automobile Policies

The examiners reviewed five automobile non-renewals that were initiated by the company.

- (1) The examiners found four violations of § 38.2-2212 E of the Code of Virginia. The company failed to mail the notice of cancellation to the insured at least 45 days prior to the effective date of cancellation.
- (2) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to provide the required number of days' notice to the lienholder.

Company-Initiated Cancellations – Homeowner PoliciesNOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The examiners reviewed six homeowner cancellations that were initiated by the company where the notice was mailed prior to the 90th day of coverage in the initial policy period. During this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of § 38.2-2113 A of the Code of Virginia.

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

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The examiners reviewed eight homeowner cancellations that were initiated by the company where the notice was mailed on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found seven violations of § 38.2-2114 A of the Code of Virginia.
 - a. In one instance, the company failed to send the cancellation notice to the address shown in the policy.
 - b. In six instances, the company cancelled a policy insuring an owner-occupied dwelling after the 89th day of coverage for a reason not permitted by the statute.
- (2) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to provide 30 days' notice to the lienholder when the company cancelled the policy after the 89th day of coverage.
- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to provide the required number of days' notice to the lienholder.

All Other Cancellations – Homeowner PoliciesNONPAYMENT OF THE PREMIUM

The examiners reviewed 16 homeowner cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found no overcharges and undercharges totaling \$14.16.

- (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 earned premium correctly.
- (2) The examiners found two violations of § 38.2-2113 C of the Code of Virginia.
 - a. In one instance, the company failed to retain the cancellation notice sent to the lienholder.
 - b. In one instance, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.

REQUESTED BY THE INSURED

In addition, the examiners reviewed 20 homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

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

Company-Initiated Non-renewals - Homeowner Policies

The examiners reviewed five homeowner non-renewals that were initiated by the company.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the lienholder.
- (2) The examiners found one violation § 38.2-2114 C of the Code of Virginia. The company failed to give an insured at least 30 days' notice of the company's refusal to renew where the policy had been in effect for 90 days or more.
- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to provide the required number of days' notice to the lienholder.

CLAIMS REVIEW**Private Passenger Automobile Claims**

The examiners reviewed 69 automobile claims for the period of July 1, 2017 through December 31, 2017. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$ 1,606.88 and underpayments totaling \$ 12,863.65. The net amount that should be paid to claimants is \$ 12,863.65 plus six percent (6%) simple interest.

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

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

- (2) The examiners found four violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
- a. In one instance, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
 - b. In three instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage was applicable to the loss.
- (3) The examiners found 11 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 two instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
 - b. In one instance, the company failed to pay the insured's rental benefits, available under the UMPD coverage and/or UIM coverage.
 - c. In six instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
 - d. 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.

- (4) The examiners found one violation of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (5) The examiners found four 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.
- (6) The examiners found seven occurrences where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of his policy.

Other Law Violations

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

The examiners found two violations of § 8.01-425.1 of the Code of Virginia. The company failed to provide the notice of the claimant's right to rescind a release as a condition to settlement in an action for personal injury within 3 business days of signing the release where the settlement is made within 30 days of the date of loss and the insured is not represented by counsel.

Homeowner Claims

The examiners reviewed 45 homeowner claims for the period of July 1, 2017 through December 31, 2017. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$ 1,035.00 and no underpayments.

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

pertinent to the claim.

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

- (2) 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.
- (3) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue. The company failed to properly represent the replacement cost provisions of the policy.
- (4) The examiners found two violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (5) The examiners found one violation of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear. The company unreasonably delayed the settlement of a claim.
- (6) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy or applicable law for the denial of a claim or offer of a compromise settlement.
- (7) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of his policy.

FORMS REVIEW

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

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

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

The companies provided copies of 39 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found one violation of § 38.2-2223 of the Code of Virginia. The company filed and received approval of a broadening of the standard forms but failed to use the form in accordance with the approved filing.

POLICY FORMS CURRENTLY USED BY THE COMPANIES

The examiners found no additional forms to review.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowner Policy FormsPOLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 105 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found two violations of § 38.2-317 A of the Code of Virginia. The company used forms which had not been filed with the Bureau at least 30 days prior to the effective date.

POLICY FORMS CURRENTLY USED BY THE COMPANIES

The examiners found no additional forms to review.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

POLICY ISSUANCE PROCESS REVIEW

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

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

Automobile Policies

The company provided three new business policies sent to the insured on the

following dates: January 24, 2018 and February 2 and 3, 2018. In addition, the company provided three renewal business policies sent to the insured on the following dates: February 26, 2018, and March 14 and 18, 2018.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

Homeowner Policies

The company provided three new business policies sent to the insured on the following dates: January 23 and 31, 2018. In addition, the company provided three renewal business policies sent to the insured on the following dates: March 3, 12 and 15, 2018.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the “Important Information Regarding Your Insurance” notice.
- (2) The examiners found three violations of § 38.2-2120 of the Code of Virginia. The company failed to provide the notice offering the insured the option of purchasing coverage caused by water that backs up through sewers or drains.
- (3) The examiners found three violations of § 38.2-2124 of the Code of Virginia. The company failed to provide the ordinance or law notice.

STATUTORY NOTICES REVIEW

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

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

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

General Statutory Notices

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The companies' Notice of Information Collection and Disclosure Practices did not include all of the information required by this statute.
- (2) The examiners found two violations of § 38.2-604.1 B of the Code of Virginia. The companies' long form Notice of Financial Information Collection and Disclosure Practices did not contain all of the information required by this statute.
- (3) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to have an adverse underwriting decision notice containing substantially similar language as that of the prototype set forth in Administrative

Letter 2015-07.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-2202 A of the Code of Virginia. The company failed to use the precise wording required by the statute in their medical expense benefits notice.
- (2) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The company failed to provide the rejection of higher uninsured motorist limits in the precise language and in boldface type as required by the Code of Virginia.
- (3) The examiners found two violations of § 38.2-2234 A of the Code of Virginia.
 - a. In one instance, the company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.
 - b. In one instance, the company failed to include all of the information required by the statute in their Credit Adverse Action notice.

Statutory Property Notices

- (1) The examiners found one violation of § 38.2-2125 of the Code of Virginia. The company failed to have available for use the notice advising the insured that the policy does not include coverage for loss due to Flood.
- (2) The examiners found two violations of § 38.2-2126 A of the Code of Virginia.
 - a. In one instance, the company's Insurance Credit Score Disclosure notice did not include all of the information required by the statute.
 - b. In one instance, the company failed to include all of the information required by the statute in their Credit Adverse Action notice.
- (3) The examiners found one violation of § 38.2-2129 of the Code of Virginia. The company failed to have available for use the notice advising the insured that the

policy does not include coverage for loss due to Earthquake.

Other Notices

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

Agency Review

- (1) The examiners found three violations of § 38.2-1822 A of the Code of Virginia. The company permitted an entity to act as an agency without first obtaining a license from the Commonwealth of Virginia.
- (2) The examiners found four violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of application.

Agent Review

- (1) The examiners found one violation of § 38.2-1822 A of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in Virginia.
- (2) The examiners found one violation of § 38.2-1833 of the Code of Virginia. The

company failed to appoint an agent within 30 days of the date of the application.

COMPLAINT-HANDLING PROCEDURES REVIEW

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

The examiners found no violations in this area.

PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW

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

The examiners found no violations in this area.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the 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

Rockingham Casualty Insurance Company and
Rockingham Insurance Company shall:

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

Rating and Underwriting Review

Rockingham Casualty Insurance Company and
Rockingham 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) Specify accurate information in the policy by listing all forms applicable to the policy

on the declarations page and not listing forms that are not applicable on the declarations page.

- (5) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, classification factors, the premium determination rule, symbols, and base and/or final rates.
- (6) Obtain a signed written rejection of Uninsured Motorists limits equal to the liability limits when lower limits are selected by the insured.

Termination Review

Rockingham Casualty Insurance Company and
Rockingham 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) File proof of financial responsibility without delay when requested by an insured.
- (5) Calculate return premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing the cancellation notice to the insured and lienholder.
- (7) Cancel a policy insuring an owner-occupied dwelling when the notice is mailed after the 89th day of coverage only for those reasons permitted by § 38.2-2114 A

of the Code of Virginia.

- (8) Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.
- (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 D of the Code of Virginia.
- (10) Send the cancellation notice to the address listed on the policy.
- (11) Send proper notice of cancellation or refusal to renew to the insured.
- (12) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage.

Claims Review

Rockingham Casualty Insurance Company and
Rockingham 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) Document the claim file so that all events and dates pertinent to the claim can be

reconstructed.

- (5) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (6) Obtain a valid Assignment of Benefits, signed by the insured, authorizing the company to make payments directly to the medical provider. Absent a valid Assignment of Benefits, payments must be made to the insured unless otherwise specified in § 38.2-2201 of the Code of Virginia.
- (7) Based on the Bureau's examination of the Companies' Medical Expense Benefits claims, the Companies should conduct an internal audit of the Medical Expense Benefits claims where the provider was paid directly without a valid assignment of benefits and make restitution to the insured where applicable. The Companies 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

Rockingham Casualty Insurance Company and
Rockingham Insurance Company shall:

- (1) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.
- (2) File all homeowner forms with the Bureau at least 30 days prior to use.

Policy Issuance Process Review

Rockingham Casualty Insurance Company and
Rockingham Insurance Company shall:

- (1) Provide the Important Information to Policyholders notice as required by the Code

of Virginia.

- (2) Offer the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains as required by the Code of Virginia.
- (3) Provide the Ordinance and Law Coverage notice with all new and renewal policies as required by the Code of Virginia.

Statutory Notices Review

Rockingham Casualty Insurance Company and
Rockingham 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) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.
- (3) Amend the AUD notice to comply with § 38.2-610 A of the Code of Virginia.
- (4) Develop a Flood Exclusion notice to comply with § 38.2-2125 of the Code of Virginia.
- (5) Develop an Earthquake Exclusion notice to comply with § 38.2-2129 of the Code of Virginia.
- (6) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (7) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.
- (8) Develop a notice that offers the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains as required by the Code of Virginia.
- (9) Develop a notice that offers the insured the Ordinance and Law Coverage with all

new and renewal policies as required by the Code of Virginia

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

Licensing and Appointment Review

Rockingham Casualty Insurance Company and
Rockingham Insurance Company shall:

- (1) Accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.
- (2) Appoint agents within 30 days of the application.

PART THREE – EXAMINERS’ RECOMMENDATIONS

The companies should carefully scrutinize the following errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

RECOMMENDATIONS

We recommend that the companies take the following actions:

Terminations

- The companies should revise their IMB code process to correspond to the notice of cancellation versus a separate unattached page.
- The companies should select one internal tracking method for the IMB mailing.
- The companies should retain the bill and waiver of refund notices for at least five years.
- The companies should amend their homeowner policies to reflect their practice of backdating the cancellation date.
- The companies should delete any reference to the Family Auto Policy on cancellation notices. The companies should reference the Personal Auto Policy.

Claims

- The companies should document the claim file that all applicable coverages have been discussed with the insured.
- The companies should make all claim denials in writing and keep a copy in the claim file.
- The companies should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- The companies should adopt and implement reasonable standards for the prompt investigation of claims.
- The companies should attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.

- The companies should provide the right of rescission when the claimant or insured is not represented by an attorney.

Policy Issuance Process

- The companies should list forms and notices separately on the declaration page.

Statutory Notices

- The companies should correct the grammatical errors on their “Important Information Regarding Your Insurance” notice (Notice 002 VA 09 04).

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted three prior market conduct examinations of Rockingham Mutual Insurance Company and Rockingham Casualty Company. Rockingham Mutual Insurance Company changed its name to Rockingham Insurance Company November 1, 2013. Rockingham Casualty Insurance Company changed its name to Rockingham Insurance Company November 1, 2013.

During the private passenger auto examination of Rockingham Casualty Company and Rockingham Mutual Insurance Company as of December 31, 1990, Rockingham Mutual Insurance Company violated § 38.2-510 A 10 of the Code of Virginia. Rockingham Casualty Company violated § § 38.2-305 A, 38.2-510 A, 38.2-610, 38.2-1906 B, 38.2-2208 and 38.2-2212 of the Code of Virginia.

During the private passenger auto examination and homeowners/dwelling fire examination of Rockingham Casualty Company and Rockingham Mutual Insurance Company as of December 31, 1996, Rockingham Casualty Company violated § § 38.2-510 A 10, and 38.2-2220 of the Code of Virginia as well as 14 VAC 5-400-40 A of the Virginia Administrative Code.

During the private passenger auto and homeowners examination of Rockingham Casualty and Rockingham Mutual Insurance Company as of June 30, 2004, Rockingham

Casualty Company violated §§ 38.2-510 A 10, 38.2-1905, 38.2-1906 D, and 38.2-2212 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, and 14 VAC 5-400-80 D of the Virginia Administrative Code. Rockingham Mutual Insurance Company violated §§ 38.2-305, 38.2-510 A 10, 38.2-1905, 38.2-1906 D, 38.2-2113 and 38.2-2114 of the Code of Virginia as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 A, and 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.

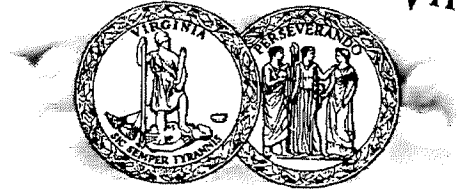
Sincerely,

A handwritten signature in black ink, appearing to read "Karen Gerber". The signature is written in a cursive style with a large initial "K".

Karen Gerber
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

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



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August 2, 2018

VIA UPS 2nd DAY DELIVERY

Mr. Steven Kemp, VP, Underwriting
Rockingham Group
633 East Market Street
Harrisonburg, VA 22801

RE: Market Conduct Examination
Rockingham Casualty Company (NAIC# 42595)
Rockingham Insurance Company (NAIC# 10214)
Exam Period: July 1, 2017 – December 31, 2017

Dear Mr. Kemp:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of July 1, 2017 through December 31, 2017. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since July 26, 2018. 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 companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

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

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

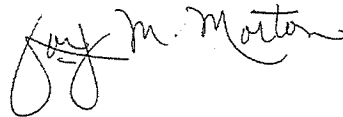
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by September 10, 2018.

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

We look forward to your reply by September 10, 2018.

Sincerely,

A handwritten signature in cursive script that reads "Joy M. Morton". The signature is written in black ink and is positioned above the typed name and contact information.

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



633 East Market Street
Harrisonburg, VA 22801

www.ROCKINGHAM.Insure

September 7, 2018

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

RE: Market Conduct Examination
Rockingham Casualty Company (NAIC #42595)
Rockingham Insurance Company (NAIC# 10214)
Examination Period – July 1, 2017 – December 31, 2017

Dear Ms. Morton:


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

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

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

Sincerely,

Steven Kemp
Vice President, Underwriting

Wherever you are, we're 

PART ONE - THE EXAMINERS' OBSERVATIONS

There are several areas of the review the Company remains concerned with.

RATING AND UNDERWRITING REVIEW

Homeowner New Business Policies

(2) 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.

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

RESPONSE – Endorsement HO1529 is calculated correctly on RHO001. Please see attached documents 'RHO001' and 'Home Quoter for RHO001'.

CLAIMS REVIEW

Private Passenger Auto Claims

(3) The examiners found 12 violations of 14 VAC 5-440-70-D. The company failed to offer an 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.

c. In seven instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

(5) The examiners found four 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.

RESPONSE –

For items (3 c.) and (5) above, the Company requests that the Bureau remove the violations arising from Claim Review Sheets CPA001, CPA019, and CP038. The Company further requests that the Bureau reevaluate the amount of the payment required from Claim Review Sheet CPA023.

CPA001 – The Company disagrees with the Bureau's assessment of MEB violations on this claim. The Bureau, in connection with Regulatory Action No. 828, has stated that "If the injured insured did not have active health coverage at the time of the loss, then the requirements of the AOB do not apply." (Email from William Felvey to Steve Kemp, August 30, 2018, 2:18 PM). Accordingly, Rockingham understands that the Bureau will not require restitution where Rockingham's insured had no other available insurance coverage to pay medical expenses. In CPA001, the following indicate that the insured had no other available insurance:

- **Cover letter from insured received December 22, 2017 indicates "I do not have a receipt of the medical bill because I have not yet gotten the money to be able to pay for it."**
- **Bill from Centra Emergency Services notes "uninsured".**
- **Insured went to the emergency room following the accident via private auto from her residence. Lynchburg General Hospital's bill does not indicate any health insurance.**
- **The insured indicated she wanted Rockingham to pay the medical providers directly.**

CPA019 – The Company disagrees with the Bureau's assessment of MEB violations on this claim. The Bureau, in connection with Regulatory Action No. 828, has stated that "If the injured insured did not have active health coverage at the time of the loss, then the requirements of the AOB do not apply." (Email from William Felvey to Steve Kemp, August 30, 2018, 2:18 PM). Accordingly, Rockingham

understands that the Bureau will not require restitution where Rockingham's insured had no other available insurance coverage to pay medical expenses. In CPA019, the following indicate that the insured had no other available insurance:

- The insured's medical bill from Bedford County Fire & Rescue requests that the insured "Please provide the associated third party liability/motor vehicle insurance as well as health insurance on the reverse side of this form".
- The insured's medical bill from Centra Emergency Services indicates she is "uninsured".
- The insured's balance due from Centra Health lists insurance as "Self Pay" and "None on file".

CPA038 - The Company disagrees with the Bureau's assessment of MEB violations on this claim. Pursuant to communications from the Bureau (email from Will Felvey to Steve Kemp dated August 30, 2018), the Bureau has stated that "the following classes of injured insureds may be excluded from the requirements of the valid AOB pursuant to §38.2-2201: Medicare, Medicaid, and Tricare....; No health insurance...; [and] Liens: If the Company was put on notice of a federal and/or state lien, then the requirements of the AOB would not pertain here..." The medical provider in this claim was University of Virginia which is a state medical provider that has a lien in favor of the Commonwealth under § 8.01-66.9. Accordingly, the AOB requirements do not apply to CPA038. The Company would have been on notice of UVA's lien absent an actual lien letter in this case, because the medical provider was UVA, a state hospital. However, on this claim, there is also a notice of lien from UVA dated September 27, 2017 in the file which also references § 8.01-66.9. \$2271.60 was paid directly to UVA and this amount represented the balance on the medical bill.

On the following claim, the Company acknowledges the violation but disagrees with the amount of restitution noted on the spreadsheet:

CPA023 –The insured had a \$4000.00 MEB limit. The spreadsheet lists the amount of underpayment as \$4823.62 and the underpayment with 6% interest at \$5113.04. The Company is unclear why the underpayment before interest exceeds the \$4000.00 MEB limit. \$4000.00 plus 6% interest would be \$4240.00. Please advise if the Bureau is agreeable to the total amount due as \$4240.00. At this time, the Company has not issued a check pending review of our response by the Bureau.

d. In two instances, the company filed to pay the insured's Collision or Other than Collision claim properly.

RESPONSE – The Company agrees with the violation for CPA042 where value for new tires was not added but disagrees with the amount noted on the restitution spreadsheet. The insured told the claim handler he put new tires on three days ago for \$540.00. The Company is unclear why the spreadsheet lists \$999.99 for the tires. Please advise if the Bureau is agreeable to the amount of \$540.00 as noted in the claim file.

PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (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.

RESPONSE –

1. Underwriting staff will be advised to review information on CLUE if it is not clear the loss is at fault (RPA021).
 2. An update of the rating rule for BI/PD and ME Symbols has been filed (closed) under SERFF RMUT-131482359 effective 6/1/18.
 3. The Company has corrected a programming error which was causing incorrect classification factors on some policies (RPA007, RPA013, RPA041).
 4. Underwriting staff will be advised to confirm correct classifications are used for marital status (RPA019).
 5. The Company will file a correction of premium determination and rounding rules.
 6. The Company will follow up with underwriting staff to ensure all applicable discounts are added (RPA031).
 7. The Company will file an updated rule for its Gold Star Discount (RPA035).
 8. Underwriting staff will be advised to ensure driver assignments are changed in accordance with auto questionnaires (RPA031).
 9. Updated rating factors for motor homes have been filed (closed) under SERFF RMUT-131482359 effective 6/1/18.
 10. Underwriting staff will be reminded to remove premium discounts for other business with the Company when such policies are no longer in force (RPA036).
 11. The Company will file an updated rule to specify that the multicar credit does not apply to the Medical Expense Benefit premium when the additional vehicle is a motorhome (RPA043).
 12. Programming issues with some coverage options found in the BOI Exam are being corrected (RHO013, RHO029).
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

RESPONSE – A copy of the spreadsheet is attached with the amount of interest displayed.

- (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.

RESPONSE – A copy of the spreadsheet is attached. The Company agrees earthquake coverage should not have included a charge for increased Coverage C on RHO029 but the Company disagrees with the \$50.59 overcharge. Please see the attached 'RHO029' exhibit which indicates the examiner revised the overcharge to an undercharge of \$0.61.

- (4) Specify accurate information in the policy by listing all forms applicable to the policy on the declarations page and not listing forms that are not applicable on the declarations page.

RESPONSE –

1. Underwriting staff will be advised to confirm that inapplicable discounts do not appear on the declarations page (RPA034).
2. Amendatory Endorsement RM 41 06 14 which removes coverage for Liquid Fuel Remediation was approved in 2014 but not put into production. The Company has added this endorsement to all new business and renewal policies effective 9/1/18 and after.
3. Underwriting staff will be advised to confirm that forms not applicable to the policy do not appear on the declarations page (RHO032).

- (5) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, classification factors, the premium determination rule, symbols, and base and/or final rates.

RESPONSE –

The Company agrees with the statement above. See the response under Item (1) for details.

- (6) Obtain a signed written rejection of Uninsured Motorists limits equal to the liability limits when lower limits are selected by the insured.

RESPONSE - Agents representing the Company will be reminded of their responsibility to secure and retain a signed written rejection of higher UM limits when issuing a policy with UM limits lower than the liability coverage limits.

Termination Review

- (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.

RESPONSE –

1. Company rules governing when returned check fees should be charged will be reviewed with the billing staff (TPA011).
2. Company rules governing when late fees should be charged will be reviewed with the billing staff (TPA040).

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

RESPONSE –

The Company agrees to the statement above.

- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

RESPONSE –

A copy of the completed spreadsheet is attached.

- (4) File proof of financial responsibility without delay when requested by an insured.

RESPONSE –

The Company is prepared to file proof of financial responsibility with the Department of Motor Vehicles when requested by an insured.

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

RESPONSE –

Filed rules and policy provisions governing proper refunds of unearned premium will be reviewed with the billing staff (THO025).

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

RESPONSE –

The Company has revised its IMB process so that copies of the IMB address cover sheets are now automatically printed to the electronic file. The Company receives the USPS information from Pitney Bowes and the company is retaining the documentation in the Company's document management system.

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

RESPONSE –

Underwriting staff will be reminded of documentation required for cancellation for foreclosure under § 38.2-2114 A as well as the reasons permissible for cancellations after the 89th day of coverage on owner-occupied dwellings.

- (8) Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.

RESPONSE –

Underwriting staff will be reminded of the requirement that the Company must provide notice at least 30 days before the effective date of cancellation when the notice is mailed after the 89th day of coverage.

- (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.

RESPONSE –

Underwriting staff will be reminded of reasons for cancellation permitted by § 38.2-2212 when the notice is mailed after the 59th day of coverage.

- (10) Send the cancellation notice to the address listed on the policy.

RESPONSE –

Underwriting staff will be reminded that valid address change requests must be submitted by the insured, not the USPS.

- (11) Send proper notice of cancellation or refusal to renew to the insured.

RESPONSE –

The Company agrees with the statement above. See the response to Item (6).

- (12) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage.

RESPONSE –

Underwriting staff will be reminded that the Company must mail notice of cancellation to the insured at least 45 days prior to the effective date of cancellation.

Claims Review

- (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.

RESPONSE –

The Company will review claim overpayments and underpayments noted in the exam with its claims adjusters. The Company will file an updated version of our Accident Forgiveness Plus endorsement to support the business practice of waiving the UM PD deductible when a hit and run affidavit has been completed.

- (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.

A copy of the spreadsheet is included. Please note the Company has not issued payment on items where the Company is requesting a further review by the Bureau.

- (4) Document the claim file so that all events and dates pertinent to the claim can be reconstructed.

RESPONSE –

The Company will review the following with claim handlers:

- 1. 14 VAC 5-400-30 to ensure they are documenting the claim file sufficiently to reconstruct events and/or dates that are pertinent to the claim.**
- 2. 14 VAC 5-400-70 A to ensure they are denying claims in writing and retaining a copy of the written denial in the claim file.**
- 3. § 38.2-510 to ensure they are properly representing the replacement cost provisions of the policy.**
- 4. § 38.2-501A3 to ensure prompt investigations of claims.**
- 5. § 38.2-510A6 to ensure they are not unreasonably delaying settlement of a claim.**
- 6. § 38.2-510A14 to provide a reasonable explanation for the basis of a denial.**

- (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.

RESPONSE –

The Company will review the following with claim handlers:

- 1. 14 VAC 5-400-40-A to ensure they are explaining and documenting first party benefits, coverages, and provisions of the insurance policy that are pertinent to the claim.**
 - 2. 14 VAC 5-400-70-D to ensure they are offering the insured an amount that is fair and reasonable as shown by the investigation of the claim and to ensure the Company pays claims in accordance with the insured's policy provisions.**
- (6) Obtain a valid Assignment of Benefits, signed by the insured, authorizing the company to make payments directly to the medical provider. Absent a valid Assignment of Benefits, payments must be made to the insured unless otherwise specified in § 38.2-2201 of the Code of Virginia.

RESPONSE –

The Company will review § 38.2-2201 with claims adjusters to ensure the company is paying medical providers directly under Medical Expense Benefit Coverage when a valid Assignment of Benefits as noted in the statute is received from a medical provider. Absent such an assignment, payment will be made directly to the insured in compliance with § 38.2-2201.

- (7) Based on the Bureau's examination of the Companies' Medical Expense Benefits claims, the Companies should conduct an internal audit of the Medical Expense Benefits claims where the provider was paid directly without a valid assignment of benefits and make restitution to the insured where applicable. The Companies 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.

RESPONSE –

The Company is in receipt of correspondence from the Bureau and is in the process of addressing the requirement audit pursuant to Regulatory Action # 828.

Forms Review

- (1) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.

RESPONSE –

The Company is working on updating its Accident Forgiveness form RCC PP 99 06 and will make an updated filing to correct this issue.

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

RESPONSE –

The Company will file all forms at least 30 days prior to use. The two forms noted out of compliance during the exam have been filed and approved – Policy Signature Endorsement RM 00 01 and Hurricane or Tropical Storm Deductible RM 406 were filed under SERFF RMUT-131528120.

Policy Issuance Process Review

- (1) Provide the Important Information to Policyholders notice as required by the Code of Virginia.

RESPONSE –

“Important Information Regarding Your Insurance” will now print with every renewal policy and every new business policy effective 9/1/18 and later in accordance with § 38.2-305 B.

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

RESPONSE –

Information about purchasing coverage caused by water that backs up through sewers or drains will now be included with every renewal policy and every new business policy effective 9/1/18 and later in accordance with § 38.2-2120. The Company had only been providing notice with new business policies.

- (3) Provide the Ordinance and Law Coverage notice with all new and renewal policies as required by the Code of Virginia.

RESPONSE –

The ordinance or law notice required by § 38.2-2125 will now be included with every renewal policy and every new business policy effective 9/1/18 and later. The Company had only been providing notice with new business policies.

Statutory Notices Review

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

RESPONSE –

The Company’s Privacy Statement has been updated in accordance with § 38.2-604 B and a copy is available upon request. A copy of the Company’s Privacy Statement is mailed with all new business and all renewal policies.

- (2) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.

RESPONSE –

The Company’s Privacy Statement has been updated in accordance with § 38.2-604 B and a copy is available upon request. A copy of the Company’s Privacy Statement is mailed with all new business and all renewal policies.

- (3) Amend the AUD notice to comply with § 38.2-610 A of the Code of Virginia.

RESPONSE –

The Company’s Adverse Underwriting Decision notice included in the point surcharge notice has been changed to read “ninety (90) business days of the mailing of this notice” in accordance with § 38.2-601 A. A copy is available upon request.

- (4) Develop a Flood Exclusion notice to comply with § 38.2-2125 of the Code of Virginia.

RESPONSE –

The Company has updated its Flood notice in accordance with § 38.2-2125. Language has been added that contents coverage may be available for an additional premium. A copy is available upon request.

- (5) Develop an Earthquake Exclusion notice to comply with § 38.2-2129 of the Code of Virginia.

RESPONSE –

The Company has updated its Earthquake notice in accordance with § 38.2-2129. Language has been added that coverage can be purchased from the insurer. A copy is available upon request.

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

RESPONSE –

The language in the Company's Medical Expense Benefits notice has been updated in accordance with § 38.2-2202 A. A copy is available upon request.

- (7) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.

RESPONSE –

The Company has updated the rejection of higher Uninsured Motorist limits in the precise language and in boldface type as required by § 38.2-2202 B. A copy is available upon request.

- (8) Develop a notice that offers the insured the option of purchasing coverage for damage caused by water that backs up through sewers and drains as required by the Code of Virginia.

RESPONSE –

Information about purchasing coverage caused by water that backs up through sewers or drains will now be included with every renewal policy and new business policy effective 9/1/18 in accordance with § 38.2-2120. The Company had only been providing such notice with new business policies.

- (9) Develop a notice that offers the insured the Ordinance and Law Coverage with all new and renewal policies as required by the Code of Virginia.

RESPONSE –

The Ordinance or Law notice required by § 38.2-2125 will now be included with every renewal policy and new business policy effective 9/1/18 and later. The Company had only been providing notice with new business policies.

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

RESPONSE –

1. The Company has revised the language in our Adverse Credit Action notice in accordance with § 38.2-2126 A and § 38.2-2234 A. A copy is available upon request. This letter is sent with the policy declarations to customers.
2. The Company uses ACORD Forms to provide the Credit Score Disclosure Notice under § 38.2-2126 A and §38.2-2234 A at the application stage. The Company is following up with ACORD regarding non-compliance of forms ACORD 90 and ACORD 38.

Licensing and Appointment Review

- (1) Accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.

RESPONSE –

The Company agrees with the above. The Company has introduced a safeguard in its process providing an alert if applications are submitted by unlicensed producers, so the Company may get the producers appointed and licensed.

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

RESPONSE –

The Company agrees with the above. The Company has introduced a safeguard in its process providing an alert if applications are submitted by unlicensed producers, so the Company may get the producers appointed and licensed.

PART THREE – EXAMINERS’ RECOMMENDATIONS

Terminations

- The companies should revise their IMB code process to correspond to the notice of cancellation versus a separate unattached page.

RESPONSE –

The Company has changed its process so that copies of the IMB address cover sheets are automatically printed into the electronic file.

- The companies should select one internal tracking method for the IMB mailing

RESPONSE –

The Company is only using one internal tracking method for IMB mailing. The Company receives the USPS information from Pitney Bowes and is retaining the documentation in the Company’s document management system.

- The companies should retain the bill and waiver of refund notices for at least five years.

RESPONSE –

The Company is working to update systems to retain these notices.

- The companies should amend their homeowner policies to reflect their practice of backdating of the cancellation date.

RESPONSE –

The Company will consider filing a policy amendment which will allow backdating of cancellations in accordance with its business practice.

- The companies should delete any reference to the Family Auto Policy on cancellation notices. The companies should reference the Personal Auto Policy.

RESPONSE –

The Company will work to update cancellation notices.

Claims

- The companies should document the claim file that all applicable coverages have been discussed with the insured.

RESPONSE –

The Company agrees and will review documentation requirements with claim handlers.

- The companies should make all claim denials in writing and keep a copy in the claim file.

RESPONSE –

The Company agrees and will review denial requirements with claim handlers.

- The companies should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.

RESPONSE –

The Company agrees and will review settlement requirements with claim handlers.

- The companies should adopt and implement reasonable standards for the prompt investigation of claims.

RESPONSE –

The Company agrees and will review investigation requirements with claim handlers.

- The companies should provide the right of rescission when the claimant or insured is not represented by an attorney.

RESPONSE –

The Company will provide the notice required under § 8.01-425.1.

Policy Issuance Process

- The companies should list forms and notices separately on the declaration page.

RESPONSE –

The Company will take the above under advisement.

Statutory Notices

- The companies should correct the grammatical errors on their "Important Information Regarding Your Insurance" notice (Notice 002 VA 09 04).

RESPONSE –

The Company has corrected these errors.



633 East Market Street
Harrisonburg, VA 22801

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September 26, 2018

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

RE: Market Conduct Examination
Rockingham Casualty Company (NAIC #42595)
Rockingham Insurance Company (NAIC# 10214)
Examination Period – July 1, 2017 – December 31, 2017

Dear Ms. Morton:

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

The company's initial response included the following:

Statutory Notices Review

(10) Amend the Insurance Credit Score Disclosure Notice to comply with § 38.2-2234 A and § 38.2-2126 A of the Code of Virginia indicated under 2.

RESPONSE –

2. The Company uses ACORD Forms to provide the Credit Score Disclosure Notice under § 38.2-2234 A and § 38.2-2126 A at the application stage. The Company is following up with ACORD regarding non-compliance of forms ACORD 90 and ACORD 38.

The company has followed up with Debra Sahler, ACORD Director of Compliance, and she has provided the attached responses.

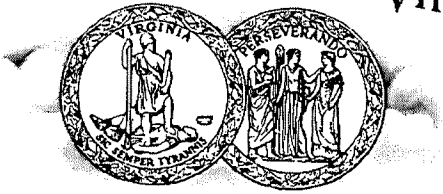
Please add the attached correspondence to our response for your consideration.

Sincerely,

Steven Kemp
Vice President, Underwriting

Wherever you are, we're *here*.

COMMONWEALTH OF VIRGINIA



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

P.O. BOX 1157
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October 15, 2018

VIA UPS 2nd DAY DELIVERY

Mr. Steven Kemp, VP, Underwriting
Rockingham Group
633 East Market Street
Harrisonburg, VA 22801

RE: Market Conduct Examination
Rockingham Casualty Insurance Company (NAIC#42595)
Rockingham Insurance Company (NAIC#10214)
Examination Period: July 1, 2017 – December 31, 2017

Dear Mr. Kemp:

The Bureau of Insurance (Bureau) has reviewed the Companies' September 7, 2018 response to the Preliminary Market Conduct Report (Report) of Rockingham Casualty Insurance Company and Rockingham Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New and Renewal Business

We identified an error in the numbering in the original version of the preliminary Report. The Report has been amended to correct the numbering in both the New Business and Renewal Business Rating and Underwriting sections.

Homeowner New Business Review

(2) After further review, the violation for RHO001 has been withdrawn from the Report.

Homeowner Renewal Business Review

(2) The overcharge for RHO029 has been amended and this review item has been removed from the restitution spreadsheet. Please refer to review sheet R&URBHO-1537766882.

Automobile Claims Review

- (3c) The violations for CPA001 and CPA019 remain in the Report. Based upon the information provided to the Company in my September 28, 2018 email the Company must have a valid Assignment of Benefits (AOB) to pay anyone other than the insured. If the insured does not have health insurance the file must include documentation to verify that the insured has confirmed that there is no health coverage.
- The underpayment for CPA023 has been amended in the Report as well as the Restitution Spreadsheet to show \$4,000.00 plus 6% simple interest (\$240.00), \$4240.00.
- After further review, the violation for CPA038 has been withdrawn from the Report. The Company has documented the AOB exception applicable to this claim.
- (3d) The underpayment for CPA042 has been amended in the Report as well as the Restitution Spreadsheet to show \$540.00 plus 6% simple interest (\$32.40), \$572.40.
- (5) The violations for CPA001 and CPA019 remain in the Report. The provisions of § 38.2-2201 clearly state that payment of medical expense benefits to a person other than the insured cannot be made without a valid AOB.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

The Companies' response indicates "the Company **WILL:** advise/make revisions/submit filings". The Companies' response to the Corrective Action Plan must be amended to include the dates that each of the changes will occur.

Termination Review

The Companies' response indicates "the Company **WILL:** advise/make revisions/submit filings". The Companies' response to the Corrective Action Plan must be amended to include the dates that each of the changes will occur.

Claims

- (1) The Companies' response addressed the underpayment violation on CPA001 involving the Medical Expense benefits coverage, however, this claim file was also cited for failing to handle the rental expenses payment correctly. The restitution must be made for the rental expense violations as well.

The Companies' response indicates "the Company **WILL:** advise/make revisions/submit filings". The Companies' response to the Corrective Action Plan must be amended to include the dates that each of the changes will occur.

Forms Review

The Companies' response indicates "the Company **WILL:** advise/make revisions/submit filings". The Companies' response to the Corrective Action Plan must be amended to include the dates that each of the changes will occur.

Notices Review

The violations for the Credit Disclosure Notice remain in the Report. The Bureau has been in conversation with ACORD as well as our Office of General Counsel. The notices must be amended to remove the word "may" and include the word "shall" to be compliant. The Companies should advise the Bureau the date(s) the Company expects the Credit Disclosure Notice to be amended to comply with §§ 38.2-2126 A and 38.2-2234 A. The ACORD forms used by the Companies are not in compliance with Virginia statutes and should not be used in Virginia with the current wording.

The Companies should provide a copy of all of the amended notices cited in this section.

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, Restitution Spreadsheet and any review sheets withdrawn, added or altered as a result of this review.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by November 1, 2018.

Sincerely,

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

Enclosures



ROCKINGHAM
INSURANCE

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Harrisonburg, VA 22801

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October 25, 2018

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

RE: Market Conduct Examination
Rockingham Casualty Company (NAIC #42595)
Rockingham Insurance Company (NAIC# 10214)
Examination Period – July 1, 2017 – December 31, 2017

Dear Ms. Morton:

Attached is our response to the Bureau's letter dated October 15, 2018.

Our response follows the same format and numbering for each section as in the Report. We have not included a response on items in Part One where we have no further documentation to provide; for these we acknowledge the Bureau's findings.

The company appreciates the Bureau's review of our initial response and reconsideration of items as noted in your letter.

We hope this helps move the Examination towards conclusion and await your response.

Sincerely,

Steven Kemp
Vice President, Underwriting

Attachment

PART ONE - THE EXAMINERS' OBSERVATIONS

CLAIMS REVIEW

Private Passenger Auto Claims

(3) The examiners found 12 violations of 14 VAC 5-440-70-D. The company failed to offer an 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.

c. In seven instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

(5) The examiners found four 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.

RESPONSE –

For CPA001 and CPA019 with respect to items (3 c.) and (5), the Company has no further information to provide. Documentation to verify that the insured had confirmed that there was no health coverage was not noted in the claim file at the time of the examiner's review.

The company notes the revised underpayment amounts for CPA023 and CPA042 and the company has updated the restitution spreadsheet accordingly.

PART TWO - CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (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.

RESPONSE –

1. Underwriting staff will be advised before 11/30/18 to review information on CLUE if it is not clear the loss is at fault (RPA021).
4. Underwriting staff will be advised before 11/30/18 to confirm correct classifications are used for marital status (RPA019).
5. The Company will file a correction of premium determination and rounding rules by 12/31/18.
6. The Company will follow up with underwriting staff before 11/30/18 to ensure all applicable discounts are added (RPA031).
7. The Company will file an updated rule for its Gold Star Discount by 12/31/18 (RPA035).
8. Underwriting staff will be advised before 11/30/18 to ensure driver assignments are changed in accordance with auto questionnaires (RPA031).
10. Underwriting staff will be reminded before 11/30/18 to remove premium discounts for other business with the Company when such policies are no longer in force (RPA036).
11. The Company will file an updated rule by 12/31/18 to specify that the multicar credit does not apply to the Medical Expense Benefit premium when the additional vehicle is a motorhome (RPA043).
12. Programming issues with some coverage options found in the BOI Exam will be corrected by 1/1/19 (RHO013, RHO029).

- (4) Specify accurate information in the policy by listing all forms applicable to the policy on the declarations page and not listing forms that are not applicable on the declarations page.

RESPONSE –

1. Underwriting staff will be advised before 11/30/18 to confirm that inapplicable discounts do not appear on the declarations page (RPA034).
 3. Underwriting staff will be advised before 11/30/18 to confirm that forms not applicable to the policy do not appear on the declarations page (RHO032).
- (6) Obtain a signed written rejection of Uninsured Motorists limits equal to the liability limits when lower limits are selected by the insured.

RESPONSE - Agents representing the Company will be reminded before 11/30/18 of their responsibility to secure and retain a signed written rejection of higher UM limits when issuing a policy with UM limits lower than the liability coverage limits.

Termination Review

- (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.

RESPONSE –

1. Company rules governing when returned check fees should be charged will be reviewed with the billing staff before 11/30/18 (TPA011).
 2. Company rules governing when late fees should be charged will be reviewed with the billing staff before 11/30/18 (TPA040).
- (5) Calculate return premium according to the filed rules and policy provisions.

RESPONSE –

Filed rules and policy provisions governing proper refunds of unearned premium will be reviewed with the billing staff before 11/30/18 (THO025).

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

RESPONSE –

Underwriting staff will be reminded before 11/30/18 of documentation required for cancellation for foreclosure under § 38.2-2114 A as well as the reasons permissible for cancellations after the 89th day of coverage on owner-occupied dwellings.

- (8) Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.

RESPONSE –

Underwriting staff will be reminded before 11/30/18 of the requirement that the Company must provide notice at least 30 days before the effective date of cancellation when the notice is mailed after the 89th day of coverage.

- (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.

RESPONSE –

Underwriting staff will be reminded before 11/30/18 of reasons for cancellation permitted by § 38.2-2212 when the notice is mailed after the 59th day of coverage.

- (10) Send the cancellation notice to the address listed on the policy.

RESPONSE –

Underwriting staff will be reminded before 11/30/18 that valid address change requests must be submitted by the insured, not the USPS.

- (12) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage.

RESPONSE –

Underwriting staff will be reminded before 11/30/18 that the Company must mail notice of cancellation to the insured at least 45 days prior to the effective date of cancellation.

Claims Review

- (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.

RESPONSE –

The Company will file an updated version of our Accident Forgiveness Plus endorsement by 3/31/19 to support the business practice of waiving the UM PD deductible when a hit and run affidavit has been completed. Due to system programming, additional time is needed to correct this endorsement. Restitution for CPA001's deductible is noted on the spreadsheet.

- (4) Document the claim file so that all events and dates pertinent to the claim can be reconstructed.

RESPONSE –

The Company will review the following with claim handlers before 11/30/18:

- 1. 14 VAC 5-400-30 to ensure they are documenting the claim file sufficiently to reconstruct events and/or dates that are pertinent to the claim.**
 - 2. 14 VAC 5-400-70 A to ensure they are denying claims in writing and retaining a copy of the written denial in the claim file.**
 - 3. § 38.2-510 to ensure they are properly representing the replacement cost provisions of the policy.**
 - 4. § 38.2-501A3 to ensure prompt investigations of claims.**
 - 5. § 38.2-510A6 to ensure they are not unreasonably delaying settlement of a claim.**
 - 6. § 38.2-510A14 to provide a reasonable explanation for the basis of a denial.**
- (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.

RESPONSE –

The Company will review the following with claim handlers before 11/30/18:

- 1. 14 VAC 5-400-40-A to ensure they are explaining and documenting first party benefits, coverages, and provisions of the insurance policy that are pertinent to the claim.**

2. **14 VAC 5-400-70-D to ensure they are offering the insured an amount that is fair and reasonable as shown by the investigation of the claim and to ensure the Company pays claims in accordance with the insured's policy provisions.**
- (6) Obtain a valid Assignment of Benefits, signed by the insured, authorizing the company to make payments directly to the medical provider. Absent a valid Assignment of Benefits, payments must be made to the insured unless otherwise specified in § 38.2-2201 of the Code of Virginia.

RESPONSE –

The Company will review § 38.2-2201 with claims adjusters before 11/30/18 to ensure the company is paying medical providers directly under Medical Expense Benefit Coverage when a valid Assignment of Benefits as noted in the statute is received from a medical provider. Absent such an assignment, payment will be made directly to the insured in compliance with § 38.2-2201.

Forms Review

- (1) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.

RESPONSE –

The Company is working on updating its Accident Forgiveness form RCC PP 99 06 and will make an updated filing by 3/31/19 to correct this issue. Due to system programming, additional time is needed to correct this endorsement.

Notices Review

See the attached Exhibit "Amended Notices" which includes updated versions of all notices cited in this section.

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

RESPONSE –

The Company uses ACORD Forms to provide the Credit Score Disclosure Notice under § 38.2-2126 A and §38.2-2234 A at the application stage. ACORD has indicated they will update the word "may" to "shall" in the ACORD 90 and ACORD 38. In correspondence to the company dated 10/17/18, ACORD indicates they hope to have the updated forms completed by 10/31/18 and then have the Bureau review the updated forms. Provided the Bureau review is completed by 12/1/18, the company will begin using updated ACORD 90 and ACORD 38 forms by 2/1/19. The company does have to allow time for the updated forms to be programmed into our computer system.

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

October 31, 2018

VIA UPS 2nd DAY DELIVERY

Mr. Steven Kemp, VP, Underwriting
Rockingham Group
633 East Market Street
Harrisonburg, VA 22801

RE: Market Conduct Examination
Rockingham Casualty Company (NAIC# 42595)
Rockingham Insurance Company (NAIC# 10214)
Exam Period: July 1, 2017 – December 31, 2017

Dear Mr. Kemp:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of October 25, 2018. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. The restitution for CPA068 was not included in the restitution reported. As this restitution was due to an underpayment of the medical expense benefits claim, we will look for restitution of this review item in the information reported for Regulatory Action 828. Enclosed is the final Market Conduct Examination Report of Rockingham Casualty Company and Rockingham Insurance Company (Report).

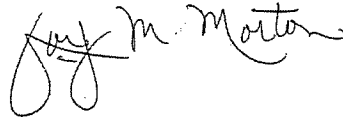
Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-228, 38.2-305 A, 38.2-305B, 38.2-317 A, 38.2-502 1, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1822 A, 38.2-1833, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2120, 38.2-2124, 38.2-2125, 38.2-2126 A, 38.2-2202 A, 38.2-2202 B, 38.2-2206 A, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2223, 38.2-2234 A, of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-70 D of the Virginia Administrative Code.

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

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

Sincerely,

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

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



633 East Market Street
Harrisonburg, VA 22801

(540) 434-7644
(800) 434-7736
Fax (800) 283-7625
www.ROCKINGHAM.Insure

November 19, 2018

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

RE: Market Conduct Examination Settlement Offer
Ecase/Docket Number: INS-2018-00238

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated October 31, 2018, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2-228, 38.2-305 A, 38.2-305B, 38.2-317 A, 38.2-502 1, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1822 A, 38.2-1833, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2120, 38.2-2124, 38.2- 2125, 38.2-2126 A, 38.2-2202 A, 38.2-2202 B, 38.2-2206 A, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2223, 38.2-2234 A, of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

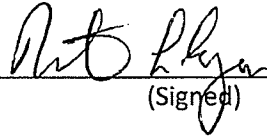
1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$ 46,800.00.
2. We agree to comply with the corrective action plan set forth in the companies' letters of September 7, 2018 and October 25, 2018.
3. We confirm that restitution was made to 32 consumers for \$ 14,289.37 in accordance with the companies' letters of September 7, 2018 and October 25, 2018.
4. We further acknowledge the companies' 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.

Wherever you are, we're there.

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,

Rockingham Casualty Company
Rockingham Insurance Company



(Signed)

Robert L. Lyon

(Type or Print Name)

President and CEO

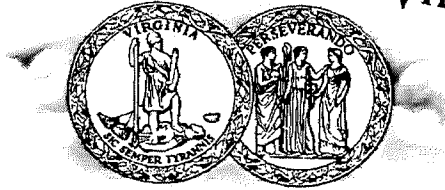
(Title)

November 19, 2018

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA



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

P.O. BOX 1157
RICHMOND, VIRGINIA 23218

1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219

TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

Rockingham Casualty Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$46,800.00 by their check numbered 0010062190 and dated November 20, 2018, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, DECEMBER 7, 2018

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2018 DEC -7 A 9 24

181210170

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2018-00238

ROCKINGHAM CASUALTY COMPANY and
ROCKINGHAM INSURANCE COMPANY,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Rockingham Casualty Company and Rockingham Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-228 of the Code of Virginia ("Code") by failing to file proof of financial responsibility with DMV when requested by the insured; § 38.2-305 A of the Code by failing to provide the information required by statute in the insurance policy; §§ 38.2-305 B, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-2120, 38.2-2124, 38.2-2125, 38.2-2126 A, 38.2-2202 A, 38.2-2202 B, 38.2-2234 A of the Code by failing to accurately provide the required notices to insureds; § 38.2-317 A of the Code by issuing insurance policies or endorsements without having filed such policies or endorsements with the Commission at least thirty days prior to their effective date; § 38.2-502 (1) of the Code by misrepresenting the benefits, advantages, conditions or terms of an insurance policy; § 38.2-1822 A of the Code by permitting an unlicensed agent to act on the company's behalf; § 38.2-1833 of the Code for paying commissions to agencies/agents that are not appointed by the Defendants; § 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 Defendants; §§ 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E of the Code by failing to properly terminate insurance policies; § 38.2-2206 A of the Code by failing to obtain documentation to support a rejection of higher Uninsured Motorist (UM) limits; § 38.2-2223 by failing to use forms in the precise language of the broadened form previously filed and approved by the Commission; as well as 14 VAC 5-400-30 and 14 VAC 5-400-70 D of the Commission's Rules 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 Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in company correspondence dated September 7, 2018 and October 25, 2018, confirmed that restitution was made to 32 consumers in the amount of Fourteen Thousand Two Hundred Eighty-nine Dollars and Thirty-seven Cents (\$14,289.37), have tendered to Virginia the sum of Forty Six Thousand Eight Hundred Dollars (\$46,800), and waived the right to a hearing.

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

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

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.
- (2) This case is dismissed, 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: Robert L. Lyon, President and CEO, Rockingham Group, 633 East Market Street, Harrisonburg, Virginia 22801; 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.