

**PROCEEDING BEFORE THE HONORABLE MICHAEL D. RILEY
INSURANCE COMMISSIONER OF THE
STATE OF WEST VIRGINIA**

**IN RE:
WEST VIRGINIA MUTUAL INSURANCE COMPANY**

**ADMINISTRATIVE PROCEEDING
15-MAP-02002**

**AGREED ORDER ADOPTING REPORT OF
MARKET CONDUCT EXAMINATION AND DIRECTING
CORRECTIVE ACTION**

NOW COMES, The Honorable Michael D. Riley, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the Report of Market Conduct Examination for the statutory examination of West Virginia Mutual Insurance Company hereinafter referred to as "Company" for the examination period ending December 31, 2014 based upon the following findings, to wit:

PARTIES

1. The Honorable Michael D. Riley, is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.
2. Company operates under the provisions of Chapter 33, of the West Virginia Code as West Virginia Mutual Insurance Company.
3. Company is licensed and domiciled in West Virginia and operates throughout the States of West Virginia, Ohio, Kentucky and Virginia. Company writes professional medical liability insurance for physicians.

4. The Statutory Market Conduct Examination was instituted pursuant to the statutory obligation of the Insurance Commissioner's Office to examine each West Virginia domestic insurance company every five (5) years.

The purpose of this Statutory Examination was to determine Company compliance with West Virginia Insurance laws relating to treatment of policyholders and claimants and the examination information contained in the Market Conduct Report should serve only these purposes. The conclusions and findings of the Market Conduct Examination are public record.

FINDINGS OF FACT

1. The examination was conducted in accordance with West Virginia Code Section 33-2-9(c) by examiners duly appointed by the West Virginia Offices of the Insurance Commissioner. The examination fieldwork began on March 16, 2015 and concluded on April 21, 2015.

2. The Statutory Market Conduct Examination reviewed and tested Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, , Policyholder Services, Underwriting, Claims and the C.A.R.E. Program.

3. A total of forty-seven (47) standards were tested during this examination; the Company was found to be compliant with forty-four (44), predominantly compliant with one (1) and non-compliant with two (2).

4. The company failed to provide on every application a clearly legible means by which an examiner can identify a producer involved in the transaction in accordance with W. Va. Code R. §114-15-4.3.

5. The Company failed to provide producers with a copy of the notice of termination of appointment pursuant to W. Va. Code §33-12-25.

6. The Company was predominantly compliant with W. Va. Code §33-12-3(d). The company shall not accept any business from or pay any commission to any individual insurance producer who does not hold an appointment as an individual insurance producer for the Company. The Company has reconfigured its operating system so that only appointed agents will be accepted by the system.

7. On May 12, 2015, the examiner filed with the Insurance Commissioner, pursuant to West Virginia Code Section 33-2-9(j)(2), a Report of Market Conduct Examination.

8. Company waives notice of administrative hearing, any and all rights to an administrative hearing, and to judicial review of this matter.

9. Any Finding of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the subject matter and the parties to this proceeding.

2. This proceeding is pursuant to and in accordance with W. Va. Code §33-2-9

3. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by Company as well as all other provisions of regulation that

Company is subjected to by virtue of their Certificate of Authority to operate in the State of West Virginia.

4. The Company failed two standards, one pertained to notifying producers of termination of appointment pursuant to W. Va. Code §33-12-25 and the other pertained to providing on every application a clearly legible means by which an examiner can identify a producer involved in the transaction in accordance with W. Va. Code R. §114-15-4.3. The Company was compliant or predominantly compliant with the other standards tested.

5. There does not appear to be any intentional misconduct exhibited by Company in this examination findings and scope.

6. Any Conclusion of Law that is more properly a Finding of Fact is hereby incorporated as such.

ORDER

Pursuant to West Virginia Code Section 33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and Company response thereto, the Insurance Commissioner and Company have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination. The Parties have further agreed to the imposition of an administrative penalty of Five Hundred Dollars (\$500.00) against Company as set forth below.

It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of Company for the period ending December 31, 2014 is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) It is **ORDERED** that Company will pay an administrative penalty in the amount of Five Hundred Dollars (\$500.00) for failing to comply with the Statutes, Rules and Regulations of the State of West Virginia as detailed in the Report of Market Conduct Examination. Said payment shall be made within thirty (30) days of the date the Insurance Commissioner enters this Order.

(C) It is further **ORDERED** that Company shall continue to monitor its Compliance with W. Va. Code § 33-12-25, and W. Va. Code R. §114-15-4.3.

(D) It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, Company shall file with the West Virginia Insurance Commissioner, in accordance with West Virginia Code Section 33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this ORDER ADOPTING REPORT OF MARKET CONDUCT EXAMINATION AND DIRECTING CORRECTIVE ACTION;

(E) It is further **ORDERED** that Company shall ensure compliance with the West Virginia Code and the Code of State Rules. Company shall specifically cure those violations and deficiencies identified in the Report of Market Conduct Examination; and

(F) It is further **ORDERED** that **COMPANY SHALL FILE** a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail Company changes to its procedures and/or internal policies to ensure compliance with the West Virginia Code and incorporate all recommendations of the Insurance Commissioner's examiners and address all violations specifically cited in the Report of Market Conduct Examination. The

Corrective Action Plan outlined in this Order must be submitted to the Insurance Commissioner for approval within thirty (30) days of the entry date of this Agreed Order. Company shall implement reasonable changes to the Corrective Action Plan if requested by the Insurance Commissioner within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan. The Insurance Commissioner shall provide notice to Company if the Corrective Action Plan is disapproved and the reasons for such disapproval within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan.

(G) It is finally **ORDERED** that all such statutory notices, administrative hearings and appellate rights are herein waived concerning this Report of Market Conduct Examination and Agreed Order. All such rights are preserved by the Parties regarding implementation or further action taken on such Order by the Commissioner against West Virginia Mutual Insurance Company

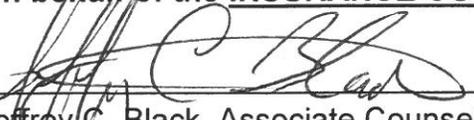
Entered this 30th day of June, 2015



The Honorable Michael D. Riley
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the INSURANCE COMMISSIONER:



Jeffrey C. Black, Associate Counsel
Attorney Supervisor

Dated: 6/30/15

On Behalf of WEST VIRGINIA MUTUAL INSURANCE COMPANY

By: R. Austin Wallace, MD
Print Name

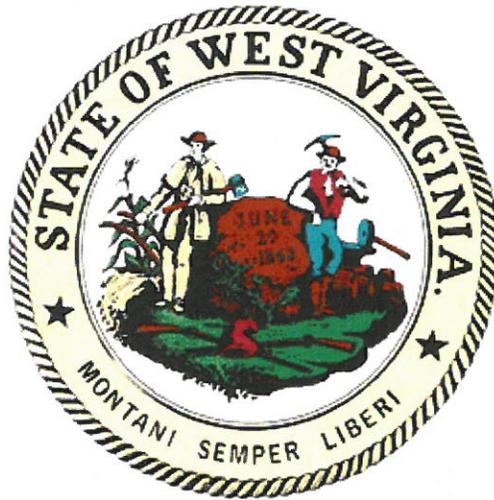
Its: Chair, President, and CEO

Signature: R. Austin Wallace, MD

Date: 18 June 2015

Report of Market Conduct Examination

As of
December 31, 2014



WEST VIRGINIA MUTUAL INSURANCE COMPANY
500 Virginia Street East, Suite 1200
Charleston, WV 25301

NAIC COMPANY CODE: 11972

Examination Number: WV014-M45

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May 12, 2015

The Honorable Michael D. Riley
West Virginia Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Dear Commissioner Riley:

Pursuant to your instructions and in accordance with W.Va. Code § 33-2-9, an examination has been made as of December 31, 2014 of the business affairs of

WEST VIRGINIA MUTUAL INSURANCE COMPANY
500 Virginia Street East, Suite 1200
Charleston, WV 25301

Hereinafter referred to as the "Company". The following report of the findings of this examination is herewith respectfully submitted.

FOREWORD

The Company is a West Virginia-domiciled property and casualty insurance company that provides medical professional liability insurance.

This is a report "by test" of Company compliance with selected standards contained in the National Association of Insurance Commissioners (NAIC) 2014 Market Regulation Handbook (Handbook) and standards approved by the West Virginia Office of the Insurance Commissioner (WVOIC) which are based on applicable West Virginia Statutes and Administrative Rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

"W. Va. Code" as used herein refers to the West Virginia Code Annotated. "W. Va. Code R." as used herein refers to the West Virginia Code of State Rules.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

The West Virginia Offices of the Insurance Commissioner (WVOIC) previously conducted a comprehensive market conduct examination of the Company as of June 30, 2009 pursuant to the statutory obligation of the Commissioner's Office to examine each West Virginia domestic insurance company every five (5) years. Business areas reviewed and tested included Company Operations & Management, Complaint Handling, Marketing & Sales, Producer Licensing, Policyholder Services, Underwriting, Claims and the C.A.R.E. Program.

All of the previous recommendations have been addressed by the Company and we found no subsequent failure of those standards.

EXECUTIVE SUMMARY AND SCOPE OF EXAMINATION

The examination fieldwork began March 16, 2015 and ended April 21, 2015. Forty-seven (47) standards were tested during the examination; the Company was found to be compliant with forty-four (44); predominantly compliant with one (1) and non-compliant with two (2).

The areas of concern are:

- Standard A7 - Failure to provide on every application a clearly legible means by which an examiner can identify a producer involved in the transaction in accordance with W. Va. Code R. §114-15-4.3.
- Standard D3 - Failure to simultaneously mail a copy of the termination notification to the producer as required by W. Va. Code §33-12-25.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the West Virginia insurance laws and regulations and any other jurisdictions as applicable.

The basic business areas that were examined under this examination were:

- Company Operations and Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims
- C.A.R.E. Program

Each business area has standards that the examination measured. Some standards have specific statutory guidance, others have specific company guidelines, and yet others have contractual guidelines.

The focus of the examination was on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This includes an analysis of how the Company communicates its instructions and intentions to its lower echelons, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the resulting findings of the measurement and monitoring activities. The examiners also determine whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus is then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Most areas are tested to see if the Company is in compliance with West Virginia statute and rules.

This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

COMPANY PROFILE

The Company was created pursuant to West Virginia House Bills 601 and 2122 of 2001 and 2003, respectively, to provide medical liability insurance to physicians in West Virginia.

The Company began operations on July 1, 2004 by assuming certain assets and liabilities of the Board of Risk and Insurance Management (BRIM), an agency of the State of West Virginia, which had provided the majority of the professional liability insurance for physicians in the state. BRIM obligations under all applicable policies dating back to 2002 were completely extinguished and assumed by the Company; the transaction was accounted for as a novation under SSAP No. 62.

Policies transferred included any and all existing medical liability insurance covering physicians, physician corporations, and physician-operated clinics issued by BRIM, but not those covering hospitals and non-physician providers.

The Company earned \$25.5 of gross premiums between January 1, 2014 and December 31, 2014, with a market share of 35.38%. 100% of the Company's earned premium related to the physicians' professional liability line of business.

The Company writes claims-made medical professional liability policies with primary limits of \$1MM per claim and \$3MM in aggregate. In 2009, the Company became licensed in Ohio, Kentucky and Virginia.

EXAMINER'S METHODOLOGY

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and West Virginia's applicable statutes and regulations. The examiners conducted file reviews and interviews of company management. This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

Tests designed to measure the level of compliance with West Virginia's statutes and rules were applied to the files. All tests are described and the results displayed in this report.

In the results tables a "pass" response indicates compliance and a "fail" response indicates a failure to comply for each individual file reviewed. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of 7% error ratio on claims tests (93% compliance rate) and 10% error ratio on all other tests (90% compliance rate) to determine whether or not an apparent pattern or practice of being compliant, predominantly compliant, or non-compliant existed for any given test. Except as otherwise noted, all samples were generated via an Audit Command Language (ACL™) with a random sample taken from a given population.

A. COMPANY OPERATIONS/MANAGEMENT

The evaluation of standards in this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of what the Company is and how it operates and is not based on sampling techniques, but rather the Company's structure. This review is not intended to duplicate a financial examination review but is important in establishing an understanding of the examinee. Many troubled companies have become so because management has not been structured to adequately recognize and address the problems that can arise. Well-run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company-to-company, the absence of them or the ineffective application of them is often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives, and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

Standard A1: The regulated entity has an up-to-date, valid internal or external audit program.

(NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 1)

Test Methodology:

- Does the company have an internal and external audit program to detect structural problems before they occur? [W.Va. Code §33-33-1]

Results: Compliant

Observations: This standard was reviewed during the Financial Examination of 12/31/2013. In addition, it was also reviewed during this Market Conduct Examination, primarily to determine if there were any areas subject to such audits that warranted additional scrutiny. No exceptions were noted.

Recommendations: None

Standard A3: The regulated entity has anti-fraud initiatives in place that are reasonably calculated to detect, prosecute and prevent fraudulent insurance acts.

(NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 3)

Test Methodology:

- Does the Company have any procedural manuals or guides and antifraud plans?
- Does the Company report fraudulent activities of which it becomes aware? [W. Va. Code §33-41-5]

Results: Compliant

Observations: The Company has procedural manuals and guides and an antifraud plan in place and reports fraudulent activities as required. The Company's fraud contact form was submitted to the Commissioner's office. Anti-fraud statements have been added to the applications. The Company's code of ethics requires the reporting of possible illegal activities, which would include fraud. Annual staff training is also given.

Recommendations: None

Standard A4: The regulated entity has a valid disaster recovery plan. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 4)**Test Methodology:**

- Does the company have a disaster recovery plan that will detail procedures for continuing operations in the event of any type of disaster?

Results: Compliant

Observations: Examiners reviewed the Company's "Business Continuity Plan document". The Company had a valid disaster recovery plan which appears to satisfy this requirement.

Recommendations: None

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 7)

Test Methodology:

- Are the records adequate, accessible, and compliant with state record retention requirements? [W. Va. Code R. §114-15-4]

Results: Non-compliant

Observations: The Company's records were sufficient to allow the examiners to reconstruct the files, with an exception. The company's records indicate the "agency" on the application and not "individual producer". W. Va. Code R. §114-15-4.3 states "The application shall bear a clearly legible means by which an examiner can identify a producer involved in the transaction. The examiners shall be provided with information clearly identifying the producer involved in the transaction." None of the applications identified a producer.

The examiners were able to determine the producer by reviewing the correspondence within the files, except for two (2) files. On each of these files the only person listed for any correspondence was the same customer service representative. The Company advised that another person was the actual producer.

Recommendation: Every application for the Company should bear a clearly legible means by which an examiner can identify a producer involved in the transaction in accordance with W. Va. Code R. §114-15-4.3.

Standard A8: The regulated entity is licensed for the lines of business that are being written. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 8)

Test Methodology:

- Are the Company's operations in conformance with the Company's certificate of authority?

Results: Compliant

Observations: The Company's certificate of authority authorized it to offer casualty insurance business. The Company provided only medical malpractice insurance during the examination period and therefore, was operating within its certificate of authority.

Recommendations: None

Standard A9: The regulated entity cooperates on a timely basis with examiners performing the examinations. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 9)

Test Methodology:

- Did the company provide the initial data request on a timely basis as required by W. Va. Code §33-2-9 and W. Va. Code R. § 114-15-4.9?
- Did the company timely respond to any requests for information per W. Va. Code R. § 114-15-4.9(a)?

Results: Compliant

Observations: The Company was cooperative during the examination, and responded to the examiners' requests within five (5) working days as required.

Recommendations: None

Standard A12: The regulated entity has policies and procedures to protect the privacy of non-public personal information relating to its customers, former customers, and consumers that are not customers. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 12)

Test Methodology:

- Does the Company provide adequate protection of personal information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code §33-11-4(12), W.Va. State R. §114-57-1, *et seq* and §114-62-1 *et seq*)?

Results: Compliant

Observations: The Company provided privacy notices to its applicants or policyholders regarding the policies and practices of the treatment regarding non-public personal information during the

examination period. Procedures are in place to safeguard the unauthorized access to or use of records or information. No exceptions were noted.

Recommendations: None

Standard A13: If the regulated entity provides privacy notices to its customers and if applicable, to its consumers who are not customers regarding the treatment of nonpublic financial information. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 13)

Test Methodology:

- Does the Company provide adequate protection of non-public financial information it holds concerning its policyholders or others and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code §33-11-4(12), W.Va. State R §114-57-1, *et seq* and §114-62-1 *et seq*)?

Results: Compliant

Observations: The Company provided privacy notices to its applicants or policyholders regarding the policies and practices of the treatment regarding non-public financial information during the examination period. Procedures are in place to safeguard the unauthorized access to or use of records or information. No exceptions were noted.

Recommendations: None

Standard A14: If the regulated entity discloses information subject to an opt-out right, the regulated entity has policies and procedures in place so that the non-public personal financial information will not be disclosed when a consumer who is not a customer has opted out, and the regulated entity provides opt out notices to its customers and affected consumers. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 14)

Test Methodology:

- Are opt out notices provided?

Results: Compliant

Observations: The Company was not required to have and does not have a right to opt-out.

Recommendations: None

Standard A15: The regulated entity's use and disclosure of nonpublic personal financial information are in compliance with applicable statutes, rules and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 15)

Test Methodology:

- Does the Company properly use and disclose non-public personal financial it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code §33-11-4(12) and W.Va. State R. §114-57-1, *et seq* and §114-62-1 *et seq*)?

Results: Compliant

Observations: The Company had formal written policies and practices for the management, collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders, and claimants. No exceptions were noted.

Recommendations: None

Standard A16: The regulated entity has policies and procedures in place so that nonpublic personal health information will not be disclosed except as permitted by law unless a customer or a consumer who is not a customer has authorized the disclosure. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 16)

Test Methodology:

- Does the Company provide adequate protection of health information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code §33-11-4(12) and W.Va. State R. §114-57-1, *et seq* and §114-62-1 *et seq*)?

Results: Compliant

Observations: The Company had formal written policies and practices for the management, collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders, and claimants. No exceptions were noted.

Recommendations: None

Standard A17: Each licensee shall implement a written information security program for the protection of nonpublic customer information. (NAIC Market Regulation Handbook– Chapter XVI, § A, Standard 17)

Test Methodology:

- Does the Company have a written information security program[W.Va.CodeR.§114-62-1 et seq])?

Results: Compliant

Observations: This Standard was reviewed during the Financial Examination year ending 12/1/2013 with C-level interview notes updated through 9/30/2014. In addition, it was also reviewed during this Market Conduct Examination, primarily to determine if there were any areas subject to such audits that warranted additional scrutiny. No exceptions were noted.

Recommendations: None

B. COMPLAINT HANDLING

Evaluations of the standards in this business area are based on Company responses to various information requests and the review of complaint files at the Company. In this business area, “complaints” include “grievances.” W.Va. Code §33-11-4(10) requires the Company to “...maintain a complete record of all the complaints which it has received since the date of its last examination.” The statute also requires that, “This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint,” the definition of a complaint is, “...any written communication primarily expressing a grievance.”

Standard B1: All complaints are recorded in the required format on the company complaint register. (NAIC Market Regulation Handbook– Chapter XVI, § B, Standard 1)

Test Methodology:

- Is the company recording all complaints from both the consumer and the Commissioner’s Office?
- Is the company recording all complaints in a regulated complaint register? [W. Va. Code §33-11-4(10)]

Observations: There were no complaints filed with the WVOIC during the examination period; however, the Company had an internal complaint log of seven (7).

Recommendations: None

Results: Compliant

Table B 1 - Complaint Sample Results					
Type	Population	N/A	Pass	Fail	% Pass
Complaints	7	0	7	0	100
Total	7	0	7	0	100

Standard B2: The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders. (NAIC Market Regulation Handbook– Chapter XVI, § B, Standard 2)

Test Methodology:

- Does the company have complaint procedures in place, and are they sufficient to satisfactorily handle complaints?
- Does the company have procedures in place to track responses to complaints? [W. Va. Code R. §114-14-5.2]

Observations: There were no complaints filed with the WVOIC during the examination period; however, the Company had an internal complaint log of seven (7). The Company has complaint procedures in place that appear to satisfactorily handle and track responses.

Recommendations: None

Results: Compliant

Standard B3: The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statues, rules and regulations and contract language. (NAIC Market Regulation Handbook– Chapter XVI, § B, Standard 3)

Test Methodology:

- Did the company take adequate steps to finalize and dispose of complaints?

Observations: There were no complaints filed with the WVOIC during the examination period; however, the Company had an internal complaint log of seven (7). The Company appeared to take adequate steps to finalize and dispose of complaints.

Results: Compliant

Table B 3 - Complaint Sample Results					
Type	Population	N/A	Pass	Fail	% Pass
Complaints	7	0	7	0	100
Total	7	0	7	0	100

Standard B4: The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § B, Standard 4)

Test Methodology:

- Is the company maintaining adequate documentation of complaints, as required by W. Va. Code §33-11-4(10)?
- Is the company responding to complaints in a timely manner, as required by W. Va. Code §114-14-5.2?

Observations: There were no complaints filed with the WVOIC during the examination period; however, the Company had an internal complaint log of seven (7). The Company appeared to have adequate documentation and responded to complaints in a timely manner.

Results: Compliant

Table B 4 - Complaint Sample Results					
Type	Population	N/A	Pass	Fail	% Pass
Complaints	7	0	7	0	100
Total	7	0	7	0	100

C. MARKETING & SALES

The evaluation of standards in this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its products. It is not typically based on sampling techniques, but can be. The areas to be considered in this kind of review include all media, written and verbal advertising and sales material.

Standard C1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § C, Standard 1)

Test Methodology:

- Are all advertising materials in conformity with the Company’s policy forms, and in compliance with applicable statutes, rules and regulations?
- Does the Company approve producer sales materials and advertising? [W. Va. Code §33-11-4]

Results: Compliant

The entire population of thirty-six (36) marketing and sales materials provided by the Company was reviewed. The results were as follows:

Table C 1 - Marketing and Sales Results					
Type	Population	N/A	Pass	Fail	% Pass
Company Generated Advertising	36	0	36	0	100%
Total	36	0	36	0	100%

Observations: The Company provided a copy of all marketing and sales materials used during the period under examination. Materials included annual reports, brochures, newsletters and rate cards. All of the Company's marketing and sales materials were reviewed by the examiners, as well as the Company’s website www.wvmic.com. No exceptions were noted.

Recommendations: None.

Standard C3: Regulated entity communications to producers are in compliance with applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § C, Standard 3)

Test Methodology:

- Is the Company in compliance with the prohibitions on misrepresentations? Is it concerned with representations made by the Company to its producers other than in a training mode?

Results: Compliant

Observations: The Company uses email to communicate with its producers. Examples reviewed were more informational in nature, rather than advertising and marketing communications. No exceptions were noted in this review.

Recommendations: None

D. PRODUCER LICENSING

The evaluation of standards is based on a review of WVOIC records and Company responses to information requests, questions, interviews, and presentations made to the examiners. This portion of the examination is designed to test the Company’s compliance with West Virginia producer licensing laws and rules.

Standard D1: Regulated entity records of licensed and appointed (if applicable) producers agree with department of insurance records. (NAIC Market Regulation Handbook– Chapter XVI, § D, Standard 1)

Test Methodology:

- Are the agents properly licensed ? [W.Va. Code §33-12-3]
- Are the agents properly appointed? [W. Va. Code §33-12-8a(c)]

Results: Compliant

Table D 1 - Producer Licensing Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Producers	134	134	0	134	0	100
Total	134	134	0	134	0	100

Observations: The Company provided a listing of 134 active agents and terminated agents. The Companies list was reconciled to the OIC list and there were no exceptions.

Recommendations: None

Standard D2: The producers are properly licensed and appointed (if required by state law) in the jurisdiction where the application was taken. (NAIC Market Regulation Handbook– Chapter XVI, § D, Standard 2)

Test Methodology:

- Are the producers properly licensed for business solicited in West Virginia? [W. Va. Code §33-12-3(a)]
- Does the Company appoint the producer within fifteen (15) days of the date the producer submits their first application to the Company? [W. Va. Code §33-12-18]

Results: Predominantly Compliant

Testing for this standard was conducted in conjunction with the underwriting testing on the sample of new business policies and the sample of renewal policies. The results of the testing were as follows:

Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	78	1	99
Renewal Policies	832	113	0	113	0	100
Total	977	192	0	191	1	99

Observations: The producers for each of the new business and renewal policies were properly licensed and appointed with the Company at the time the new business was written/renewed with one (1) exception. One (1) producer was licensed but not appointed for two (2) files. (See Standard A7). The Company immediately rectified this error.

Recommendations: It is recommended that the company not accept any business from or pay any commission to any individual insurance producer who does not then hold an appointment as an individual insurance producer for the Company per W.Va. Code §33-12-3(d).

Standard D3: Termination of producers complies with statutes regarding notification to the producer and notification to the state, if applicable. (NAIC Market Regulation Handbook—Chapter XVI, § D, Standard 3)

Test Methodology:

- Does the Company notify the Commissioner’s Office (on a form prescribed by the WVOIC) within thirty (30) days of terminating the producer’s authority? [W.Va. Code §33-12-25 (b)]
- Is the producer notified simultaneously?
- Does the Company notify the Commissioner’s Office if the termination is for cause? [W.Va. Code §33-12-25 (a)]

Results: Non-Compliant

All of the twenty-three (23) terminated producer files were reviewed to determine whether the Company was notifying the WVOIC on the required form, within thirty (30) days of termination and provided simultaneous notification to the producer. The results were as follows:

Table D 3 - Producer Licensing Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Producer Terminations	23	23	13	6	4	60
Total	23	23	13	6	4	60

Observations: Thirteen of the terminated producers (N/A) were the result of the producer's license lapsing and therefore, no notification to the WVOIC was required. None of the producers were terminated for cause. The Company notified the OIC that four producers were terminated, but did not simultaneously mail a copy to the producer. The company noted that one was notified in person, and one had no forwarding address.

Recommendations: It is recommended that the Company simultaneously mail a copy of the termination to the producer in accordance with W. Va. Code §33-12-25(1).

Standard D4: The regulated entity's policy of producer appointments and terminations does not result in unfair discrimination against policyholders. (NAIC Market Regulation Handbook– Chapter XVI, § D, Standard 4)

Test Methodology:

- Does the appointment or termination of producers result in unfair discrimination against policyholders?
- Does the termination leave any territories understaffed?

Results: Compliant

Observations: The Company's policies and procedures regarding producer appointments and terminations were reviewed. The geographic distribution of the agents does not appear to be discriminatory. All of the Company's terminated producer files were reviewed, and producer appointments were verified for the various samples reviewed. No exceptions were noted.

Recommendations: None

Standard D5: Records of terminated producers adequately documented reasons for terminations. (NAIC Market Regulation Handbook– Chapter XVI, § D, Standard 5)

Test Methodology:

- Are the terminated producers records adequately documented? [W. Va. Code R. §114-15-4]

Results: Compliant

Observations: Testing was conducted to verify the Company was notifying the WVOIC when producers were terminated and whether the Company was documenting the reason(s) for termination, including those for cause. The Company identified 23 producers whose appointment with the Company had been terminated. All documented the reasons for termination. None of the producers were terminated for cause. No exceptions were noted in this review.

Recommendations: None

E. POLICYHOLDER SERVICE

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner and file sampling during the examination process. The policyholder service portion of the examination is designed to test a Company's compliance with statutes regarding notice/billing, delays/no response, premium refund and coverage questions.

Standard E1: Premium notices and billing notices are sent out with an adequate amount of advanced notice. (NAIC Market Regulation Handbook - Chapter XVI, § E, Standard 1)

Test Methodology:

- Were the notices issued timely? [No statutory requirement]

Results: Compliant

For this standard, testing was performed in conjunction with sampled files from Underwriting and Rating testing. Testing included newly issued policies and renewals. The results of testing are as follows:

Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	833	113	0	113	0	100
Total	978	192	0	192	0	100

Observations: The Company provided premium notices and billing notices with an adequate amount of advance notice for any financed plans. The renewal process begins three months before the expiration date. No exceptions were noted in this review.

Recommendations: None

Standard E2: Policy issuance and insured requested cancellations are timely. (NAIC Market Regulation Handbook - Chapter XVI, § E, Standard 2)

Test Methodology:

- Was the policy issued timely?
- Any excessive paperwork required? [no statutory requirement]

Results: Compliant

For this standard, testing was performed in conjunction with sampled files from Underwriting and Rating testing. Testing included newly issued policies, renewals and cancellations. The results of testing are as follows:

Table E 2 - Policyholder Service Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	833	113	0	113	0	100
Cancellations	363	84	0	84	0	100
Total	1341	276	0	276	0	100

Observations: There were no exceptions regarding timeliness of the issuance of new business, nor were there exceptions noted in the review of cancellations. Quotations are issued after a completed application has been reviewed. The required full premium payment or a deposit premium is required before coverage is effected.

Recommendations: None

Standard E3: All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department. (NAIC Market Regulation Handbook - Chapter XVI, § E, Standard 3)

Test Methodology:

- Was the correspondence responded to in a timely manner? [W. Va. Code §§33-11-3 and 33-11-7]

Results: Compliant

For this standard, testing was performed in conjunction with sampled files from Underwriting and Rating testing. Testing included newly issued policies, renewals and cancellations. The results of testing are as follows:

Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	833	113	0	113	0	100
Cancellations	363	84	0	84	0	100
Total	1341	276	0	276	0	100

Observations: Testing of correspondence was conducted in association with files sampled for testing throughout the examination process. The correspondence directed to the Company was answered in a timely and responsive manner by the appropriate department. No exceptions were noted in this review. Generally the correspondence is through the agent and answered through email by the underwriter. Typical questions concern application of credits for attendance in various C.A.R.E seminars, continuing education, and changes in the nature of work-such as changing from full time to part time status.

Recommendations: None

Standard E5: Policy transactions were processed accurately and completely. (NAIC Market Regulation Handbook - Chapter XVI, § E, Standard 5)

Test Methodology:

- Are policy transactions processed accurately and completely?

Results: Compliant

For this standard, testing was performed in conjunction with sampled files from Underwriting and Rating testing. Testing included newly issued policies, renewals and cancellations. The results of testing are as follows:

Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	833	113	0	113	0	100
Cancellations	363	84	0	84	0	100
Total	1341	276	0	276	0	100

Observations: The policy transactions were processed accurately, daily or shortly thereafter and with proper transaction dates. No exceptions were noted during this testing.

Recommendations: None

Standard E7: Unearned premiums are correctly calculated and returned to appropriate party in a timely manner and in accordance with applicable statutes and rules. (NAIC Market Regulation Handbook - Chapter XVI, § E, Standard 7)

Test Methodology:

- Were the premiums calculated correctly according to the filed rates and underwriting manual?

Results: Compliant

For this standard, testing was performed in conjunction with sampled files from the Underwriting and Rating testing. The results of testing were as follows:

Table E 7 - Policyholder Service Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Cancellations	363	84	0	84	0	100
Total	363	84	0	84	0	100

Observations: The unearned premiums were correctly calculated and returned to the appropriate party in a timely manner. No exceptions were noted in this review.

Recommendations: None

F. UNDERWRITING & RATING

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, presentations made to the examiner, and file sampling. The underwriting and rating practices portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations. It is typically determined by testing a random sampling of files and applying various tests to the sampled files. Testing is concerned with compliance issues.

Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 1)

Test Methodology

- Was the premium calculated in accordance with the rates filed pursuant to W. Va. Code §33-20-4a ?
- Were the underwriting guidelines followed with respect to the application of the submitted rates and no unfair discrimination practices W.Va. Code §33-20-1?
- Are credits and debits calculated correctly?

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, one hundred thirteen (113) renewal business policy files and three (3) consent to rate policies. The results of testing are as follows:

Table F 1 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Consent to Rate	3	3	0	3	0	100
Total	980	195	0	195	0	100

Observations: In addition to the filed rates, the Company has also filed the underwriting manual. Each file was observed to check that the correct classification, step and all applicable credits and debits were calculated correctly. Some policies had classification changes mid-term and the Company used blended rates. All were calculated correctly and in accordance with the filed underwriting manual. There were no exceptions. There were no unfair discrimination practices found. The consent to rate policies all were filed and approved before usage and the Company is compliant with W. Va. State R. §§ 114-59-3.2 and 3.8.

Recommendations: None

Standard F2 All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 2)

Test Methodology:

- Were quotations reasonable and accurate?

- Were the insureds provided with all mandated disclosures? [W. Va. Code §33-6-8]

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 2 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: No exceptions were noted in this review. The Company offered “Extended reporting endorsement” as mandated for all terminated policies.

Recommendations: None

Standard F3: The regulated entity does not permit illegal rebating, commission-cutting, or inducements. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 3)

Test Methodology:

- Was there any form of unfair discrimination found in the form of illegal rebating, commission-cutting, or other illegal inducements? [W. Va. Code §33-11-4(8)]

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 3 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: No direct evidence of rebating, commission cutting or inducements was identified during testing of new business and renewal business policies.

Recommendations: None

Standard F4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable insurance laws and Company guidelines in the selection of risks. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 4)

Test Methodology:

- Does the Company permit any unfair discrimination in favor of particular persons, or between insureds or subjects of insurance having substantially like insuring, risk and exposure factors or expense elements, in the terms or conditions of any insurance contract? [W. Va. Code § 33-11-4(7)(c)]

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 4 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: No exceptions were noted.

Recommendations: None

Standard F5: Schedule rating or individual risk premium modifications plans, where permitted, are based on objective criteria with usage supported by appropriate documentation. (NAIC Market Regulation Handbook– Chapter XVII, § F, Standard 2)

Test Methodology:

- Is any scheduled rating or individual risk premium modifications based on objective criteria?
- Are credits or deviations on a non-discriminatory basis?
- Did the Company adhere to the rate filings?

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 5 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Consent to Rate	3	3	0	3	0	100
Total	980	195	0	195	0	100

Observations: All credits and debits were applied according to the criteria filed and approved within the underwriting manual. The Company filed three (3) West Virginia Medical Professional Liability Agreement Forms (Consent to Rate Agreement). All three (3) were approved for a rate that was in excess of the normal filings. None were applied until approved. Therefore, there were no exceptions noted during testing of this standard.

Recommendations: None

Standard F6: Policies, contracts, riders and endorsements are issued or renewed accurately, timely and completely. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 6)

Test Methodology:

- Are policies & endorsements issued in a timely and accurate manner? [W. Va. Code §33-6-30]

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 6 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: Most policies are issued immediately upon receipt of the premium payment or deposit in accordance with underwriting manual. Endorsements are completed within a few days and have the proper date of execution. No exceptions were noted in this review.

Recommendations: None

Standard F7: Rejections and declinations are not unfairly discriminatory. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 7)

Test Methodology: Has the Company rejected or declined an application for coverage in a manner that is unfairly discriminatory?

- Has the Company maintained all declined application files? [W. Va. Code R. § 114-15-4.3(b)]
- Has the Company rejected or declined an application for coverage in a manner that is unfairly discriminatory? [W. Va. Code §33-11-7]

Results: Compliant

Testing for this standard was performed based on sampling of thirty-two (32) declined files. The results of testing are as follows:

Table F 7 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Declinations	32	32	0	32	0	100
Total	32	32	0	32	0	100

Observations: Testing of Declination files provided by the Company indicated that all files did contain proper documentation of the reason(s) for declination and none were unfairly discriminatory.

Recommendations: None

Standard F8: Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions and state laws and the regulated entity's guidelines. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 8)

Test Methodology:

- Does the notice contain the proper reason? Were the company-initiated cancellations and non-renewals within the policy provisions and properly documented? [W. Va. Code §§33-2-9, §33-20C-2, and W. Va. Code R. §114-15-4]

- Were the notices timely?

Results: Compliant

Testing for this standard was performed based on sampling of thirty-two (32) declinations, eighty-four (84) cancellations and five (5) Company-initiated non-renewals. The results of testing are as follows:

Type	Population	Sample	N/A	Pass	Fail	% Pass
Declinations	32	32	0	32	0	100
Cancellations	363	84	0	84	0	100
Company Initiated Non-Renewals	5	5	0	5	0	100
Total	399	121	0	121	0	100

Observations: All cancelled and non-renewed policies were offered tail coverage. All notices contain a proper reason and were timely. No exceptions were noted in the review.

Recommendations: None

Standard F9: Rescissions are not made for non-material misrepresentation. (NAIC Market Regulation Handbook– Chapter XVI, § F, Standard 9)

Test Methodology:

- Is the decision to rescind the policy made in accordance with applicable statutes, rules, and regulations? Do the rescinded policies indicate a trend toward post-claim underwriting practices? [W. Va. Code §33-6-4]

Results: Compliant

Observations: There were no rescissions during the examination period.

Recommendations: None

Standard F10: The company underwriting practices are not unfairly discriminatory. The Company adheres to applicable statutes, rules and regulations, and company guidelines in the selection of risks.

Test Methodology:

- Is the company following its underwriting guidelines? [W.Va. Code §33-11-4(7)(c)]
- Do those guidelines conform to any applicable statutes, rules and regulations? [W.Va. Code §33-11-3]
- Any inconsistency in handling of rating or underwriting practices? [W.Va. Code §33-20-3]
- Do the applications have the required fraud warning statement?[W.Va. Code §33-6-8(a)]

Results: Compliant

Table F 10 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Consent to Rate	3	3	0	3	0	100
Total	980	195	0	195	0	100

Observations: No exceptions were found.

Recommendations: None

Standard F11: Underwriting, rating and classifications are based on adequate information developed at or near inception of the coverage rather than near expiration, or following a claim.
(NAIC Market Regulation Handbook– Chapter XVII, § F, Standard 8)

Test Methodology:

- Is adequate information acquired before writing the new policy or renewal?

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files. The results of testing are as follows:

Table F 11 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: On rare occasion, the policyholder completed a continuing education or C.A.R.E. seminar within days of the policy being issued and the Company would immediately apply the credit.

Recommendations: None

Standard F12: All forms and endorsement forming a part of the contract are listed on the declarations page and should be filed with the insurance department (if applicable). (NAIC Market Regulation Handbook– Chapter XVII, § F, Standard 11)

Test Methodology:

- Are all forms and endorsement listed? ? [W. Va. Code §33-6-30]
- Are all forms properly filed? [W. Va. Code §33-6-8]

Results: Compliant

Testing for this standard was performed based on sampling of seventy-nine (79) new business policy files, and one hundred thirteen (113) renewal business policy files The results of testing are as follows:

Table F 12 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: There were no exceptions found.

Recommendations: None

Standard F13: Application or enrollment forms are properly, accurately and fully completed including any required signatures, and file documentation supports the decisions made. (NAIC Market Regulation Handbook– Chapter XVII, §F, Standard 18)

Test Methodology:

- Do the applications contain complete information and are they properly signed by the applicant?

Results: Compliant

Testing for this standard was performed based on sampling of new business policy files and renewal business policy files. The results of testing are as follows:

Table F 13 - Underwriting and Rating Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
New Business	145	79	0	79	0	100
Renewals	832	113	0	113	0	100
Total	977	192	0	192	0	100

Observations: The sampled new business and renewal business files contained complete information for the Company to properly classify the applicant. The underwriting manual states that all questions on the application must be answered and signatures where provided. All the sampled files were in compliance. No exceptions were noted.

Recommendations: None

G. CLAIMS

The evaluation of standards in this business area is based on Company responses to information items requested by the examiner, discussions with Company staff, electronic testing of claim databases, and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes and rules.

The Medical Professional Liability Act (MPLA) supersedes the requirements of the Unfair Trade Practices Act (UTPA) in some instances, but does not exclude it. In order to assess how the Company handles claims, testing was performed by testing all claims standards from the NAIC Market Regulation Handbook. Testing of claims was performed in the usual manner for market conduct examination of a property and casualty insurer in order to determine the Company's overall approach to claims handling. The outcome of the examiners' testing is reported only for those standards which are not pre-empted by the MPLA. Therefore, Standards G2 through G4 which addresses various aspects of the timeliness of claims handling are not included in this report even though testing was performed to ascertain the Company's general treatment of claimants. For medical liability, claimant treatment is a matter for the courts. This report makes no warranties regarding the Company's compliance with such requirements.

Standard G2: Timely investigations are conducted. (NAIC Market Regulation Handbook– Chapter XVI, § G, Standards 2)

Test Methodology:

- Did the investigation commence promptly? Is there prompt investigation of the claim by the Company? [W. Va. Code §33-11-4(9)(c)]

Examiner Observations: Timely decisions were made on compensability and investigations were conducted properly and promptly. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table G 2 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Paid Claims	267	76	0	76	0	100
Claims Closed Without Pay (CWOP)	221	82	0	82	0	100
Total	488	158	0	158	0	100

Standard G5: Claim files are adequately documented. (NAIC Market Regulation Handbook– Chapter XVI, § G, Standard 5)

Test Methodology:

- Do the files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed per W. Va. Code R. §114-14-3?
- Are the communications properly dated?

Examiner Observations: All claims files were adequately documented. All communications were properly dated.

Examiner Recommendations: None

Results: Compliant

Testing for this standard was performed based on sampling of seventy-six (76) paid claim files and eighty-two (82) closed without payment claim files. The results of testing are as follows:

Table G 5 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Paid Claims	267	76	0	76	0	100
Claims Closed Without Pay (CWOP)	221	82	0	82	0	100
Total	488	158	0	158	0	100

Standard G6: Claims are properly handled in accordance with policy provisions and applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook– Chapter XVI, § G, Standard 6)

Test Methodology:

- Does the claim handling meet West Virginia statutes and rules as applied to sales tax payment, correct payees, improper release of claims, and proper payment of non-disputed claims?
- Was coverage checked for proper application of deductible or appropriate exclusionary language?
- Were appropriate disclosures given when a claim nears the applicable statute of limitations?

Results: Compliant

Random samples of seventy-six (76) paid claim files were selected for detail testing. The results of the testing were as follows:

Table G 6 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Paid Claims	267	76	0	76	0	100
Total	267	76	0	76	0	100

Observations: Testing determined that claims were properly handled in accordance with policy provisions and applicable statutes, rules and regulations. No exceptions were noted in this review.

Recommendations: None

Standard G7: Company uses the reservation of rights and excess of loss letters, when appropriate. (NAIC Market Regulation Handbook– Chapter XVII, § G, Standard 1)

Test Methodology:

- Has the company sent a reservation of rights when coverage is in question?

- Does the Company send an excess of loss letter when it is apparent that the loss will exceed policy limits?

Results: Compliant

Testing for this standard was performed based on sampling of seventy-six (76) paid claim files and eighty-two (82) closed without payment claim files. The results of testing are as follows:

Table G 7 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Paid Claims	267	76	0	76	0	100
Claims Closed Without Pay (CWOP)	221	82	0	82	0	100
Total	488	158	0	158	0	100

Observations: No exceptions were noted.

Recommendations: None

Standard G9: Regulated entity claim forms are appropriate for the type of product. (NAIC Market Regulation Handbook– Chapter XVI, § G, Standard 7)

Test Methodology:

- Are the company claim forms appropriate?

Results: Compliant

Random samples of eighty-two (82) closed without pay (CWOP) files were selected for detail testing. The results of the testing were as follows:

Table G 9 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Claims Closed Without Pay (CWOP)	221	82	0	82	0	100
Total	221	82	0	82	0	100

Observations: No exceptions were noted in this review.

Recommendations: None

Standard G14 : Loss statistical coding is complete and accurate.. (NAIC Market Regulation Handbook– Chapter XVII, § G, Standard 3)

Test Methodology:

W.Va. Code § 33-20B-8 requires an insurer to file the Medical Professional Liability Insurance Claim Report with the Commissioner within 60 days of any judgment, dismissal, or settlement of a civil action or of any claim involving the insured. In addition, W.Va. Code § 33-20B(6) requires insurers that provides 5% or more of the malpractice insurance coverage in the state shall annually submit a report regarding the previous years’ claims activity, civil actions, settlements, etc. Did the Company comply with these provisions?

Results: Compliant

The samples of paid claims and claims closed without pay were reviewed to determine whether the Company was complying with § 33-20B(6) and (8). The results of testing are as follows:

Table G 14 - Claims Sample Results						
Type	Population	Sample	N/A	Pass	Fail	% Pass
Paid Claims	267	76	0	76	0	100
Claims Closed Without Pay (CWOP)	221	82	0	82	0	100
Total	488	158	0	158	0	100

Observations: All claims were reported to the OIC as required.

Recommendations: None

C.A.R.E. PROGRAM

The C.A.R.E. Program is an early intervention risk management program which was started during the fourth quarter of 2006. The objective of this program is to foster open communication between the (insured) physician and the patient, resolve concerns, and assist families through an unanticipated outcome. It is a structured, patient-centered approach for addressing a medical error, injury and complications while focusing on the patient-physician relationship, providing support to the physician and the patient.

The Company worked closely with the WVOIC to develop this program, the Director of the C.A.R.E. Program does not discuss or communicate with other departments, such as claims, underwriting, etc. when an "event" is reported or a payout made, as this program was designed to stand alone. Payments made under this program are not reported to or used by any other department within the Company. The Director reports to the Company's Risk Management Committee but does not provide any detail as to the insureds involved and what transpired with regard to the events reported. Only information regarding the number of events reported and the average payout are reported to the Committee.

The Company's Chief Operating Officer is responsible for oversight the C.A.R.E. program. The Director of the C.A.R.E. program administrator consults with the Chairman of the Company's Board of Directors on technical and medical issues and consults with the CFO regarding financial matters including payments made under the program.

According to the Company's website, the objectives of the C.A.R.E. program are to:

1. Provide communication tools and support for you in situations where care of the patient involved an unanticipated outcome; and
2. Help you respond to patient needs and concerns effectively; and
3. Reduce patient, or family, frustration or anger through removing communication barriers; and
4. Provide support for patients and families as appropriate; and
5. Thereby preserve the physician-patient relationship and create an optimal atmosphere for supporting the patient's clinical and emotional care.

According to the Company, after attending to the immediate needs of the patient, the physician is to notify C.A.R.E. as soon as possible, then only in qualifying event situations the patient receives a truthful disclosure and a sincere apology, as well as given contact information and encouragement to get in touch with C.A.R.E. Patients are informed that participation in this program does not restrict them from filing a claim. If there is any written demand for payment or attorney involvement, the Company transfers the case to claims immediately and there is no further communication from the C.A.R.E. program. Also, once the patient hires an attorney and/or files a claim, then the insured physician is instructed to discontinue communicating with the patient regarding the event.

Observations: There have been no changes in the program since the prior examination. All of the C.A.R.E. program events where the Company made payments during the examination were reviewed to verify the Company was not processing claims through this program. No exceptions were noted in this review.

Recommendations: None

RECOMMENDATIONS

Standard A7: Every application for the Company should bear a clearly legible means by which an examiner can identify a producer involved in the transaction in accordance with W. Va. Code R. §114-15-4.3. It is noted that the company has filed applications with the Insurance Commissioner (WVOIC) that include the producer information, and these applications are awaiting approval.

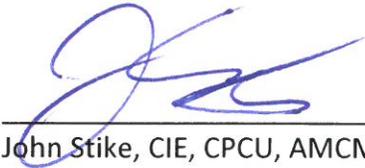
Standard D2: It is recommended that the company shall not accept any business from or pay any commission to any individual insurance producer who does not then hold an appointment as an individual insurance producer for the Company per W.Va. Code §33-12-3(d). It is noted that the company has reconfigured its operating system so that only appointed agents will be accepted by the system.

Standard D3: It is recommended that the Company simultaneously mail a copy of the termination to the producer in accordance with W. Va. Code §33-12-25(1). It is noted that the company has provided a revised procedure for the notification of terminated producers.

EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Mark A. Hooker, CIE, CPCU, FLMI, PIR, AMCM, CWCP, CCP, AIRC and Desiree Mauller, MCM, CWCP



John Stike, CIE, CPCU, AMCM, CWCP, CIPA, AU, APA, AFI
Market Conduct Examiner
State of West Virginia
Offices of the Insurance Commissioner

EXAMINER'S AFFIDAVIT

State of West Virginia

County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

I, John Stike, being duly sworn, state as follows:

- 1. I have the authority to represent the West Virginia Office of the Insurance Commissioner in the examination of West Virginia Mutual Insurance Company.
- 2. I have reviewed the examination work papers and examination report, and the examination of West Virginia Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by the West Virginia Office of Insurance Commissioner. Failure of an examiner to criticize a practice does not constitute condonement of the practice by the examiner.

The affiant says nothing further.

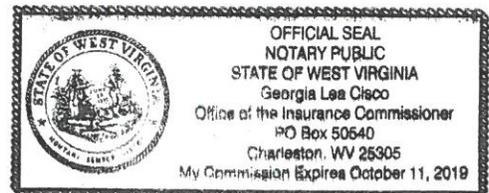
John Stike, CIE, CPCU, AMCM, CWCP, CIPA, AU, APA, AFI
Market Conduct Examiner
State of West Virginia
Offices of the Insurance Commissioner

Subscribed and sworn before me on the day 12th of May, 2015.

Georgia Lea Cisco

Notary Public

My commission expires on: 10-11-2019



June 29, 2015

Michael D. Riley, Insurance Commissioner
West Virginia Offices of the Insurance Commissioner
1124 Smith Street
Charleston, WV 25301

RE: Administrative Proceeding 15-MAP-02002

Dear Commissioner:

Thank you for reviewing our operations as part of the Market Conduct Examination. As required by the Agreed Order, the West Virginia Mutual Insurance Company hereby submits the Corrective Action Plan (Plan) for your approval. The Plan details the procedural changes made by the Mutual based on your examiner's recommendations. Additionally, I am enclosing the check for the administrative penalty. The only other outstanding item is the signed Affidavits from the Board of Directors. These will be obtained during the next regularly scheduled Board meeting on August 13, 2015, and sent to you following the meeting.

Again, thank for this important review of our operations.

Sincerely,



R. Austin Wallace, M.D.
Chairman of the Board, President and CEO