

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

**IN RE:
MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA
ADMINISTRATIVE PROCEEDING
14-MAP-02000**

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

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 targeted examination of Municipal Mutual Insurance Company of West Virginia for the examination period ending June 30, 2013 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. Municipal Mutual Insurance Company of West Virginia operates under the provisions of Chapter 33, of the West Virginia Code and is domiciled in West Virginia.

3. Municipal Mutual Insurance Company of West Virginia is licensed in the State of West Virginia to transact business as a Farmer's Mutual Fire Insurance Company under the provisions of Article 22 of the West Virginia Code.

4. This Market Conduct Examination was instituted pursuant to W.Va. Code §33-2-9 which requires the Insurance Commissioner to examine each West Virginia domestic insurance company every five (5) years. The conclusions and findings of this examination are public record.

FINDINGS OF FACT

1. The Market Conduct Examination was a comprehensive examination focusing on the methods used by the company to manage its operations. The examination was conducted in accordance with W. Va. Code §33-2-9(c) by examiners duly appointed by the Offices of the West Virginia Insurance Commissioner.

2. The examination began on December 9, 2013 and concluded on March 10, 2014. A total of thirty-seven (37) standards were tested during this examination. Of these thirty-seven (37), the company was found to be compliant with thirty-three (33); and noncompliant with four (4).

3. The result of the Market Conduct Examination did reveal the following violations: W.Va. Code §33-12-25(d) pertaining to notification to the terminated producer in writing of their termination of appointment with the company, W. Va. Code R. §114-14-6.7 pertaining to proper notice of necessary delay in investigating claims letters, W. Va. Code R § 114-14-6.2a pertaining to timely start investigations, W. Va. Code R. § 114-14-6.3 pertaining to claims resolved in a timely manner,(the immediately preceding rules would also constitute violations of W.Va. Code §33-11-4(9)(c)) and W. Va. Code R § 114-14-6.17 pertaining to providing the Insurance Commissioner's contact information on claim denials.

4. On or about May 20, 2014, the examiner filed with the Insurance Commissioner, pursuant to W. Va. Code §33-2-9, a Report of Market Conduct Examination.

5. A true copy of the Report of Market Conduct Examination was sent to Municipal Mutual Insurance Company of West Virginia certified mail return receipt requested.

6. Municipal Mutual Insurance Company of West Virginia was notified that, pursuant to W. Va. Code §33-2-9(j) (2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner.

7. Municipal Mutual Insurance Company of West Virginia has filed no objections and has elected to enter into this Agreed Order.

8. Municipal Mutual Insurance Company of West Virginia 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 Municipal Mutual Insurance Company of West Virginia as well as all other provisions of regulation that the company is subjected to by virtue of its Certificate of Authority to operate in the State of West Virginia.

4. Municipal Mutual Insurance Company of West Virginia failed the standard on certain areas of the Market Conduct examination as set forth in the Findings of Fact above and in the Market Conduct Examination report. As a result of these failures, the Insurance Commissioner can assess penalties pursuant to West Virginia Code.

ORDER

Pursuant to W. Va. Code §33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and the response of Municipal Mutual Insurance Company of West Virginia thereto, if any, the Insurance Commissioner and Municipal Mutual Insurance Company of West Virginia 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 against Municipal Mutual Insurance Company of West Virginia as set forth below.

It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of Municipal Mutual Insurance Company of West Virginia for the period ending June 30, 2013 is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) It is **ORDERED** that Municipal Mutual Insurance Company of West Virginia will **CEASE AND DESIST** from failing to comply with the Statutes, Rules and regulations of the State of West Virginia concerning any claims so handled in this State and more specifically the provisions enumerated herein this Order;

(C) It is further **ORDERED** that Municipal Mutual Insurance Company of West Virginia shall continue to monitor its Compliance with W. Va. Code §33-12-25(d), W. Va. Code R. §§ 114-14-6.7, 114-14-6.17, 114-14-6.5 and 114-14-6.12.

(D) It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, Municipal Mutual Insurance Company of West Virginia shall file with the West Virginia Insurance Commissioner, in accordance with W. Va. Code §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, DIRECTING CORRECTIVE ACTION AND ASSESSING PENALTY**;

(E) It is further **ORDERED** that Municipal Mutual Insurance Company of West Virginia **SHALL FILE** a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail Municipal Mutual Insurance Company of West Virginia's 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. Municipal Mutual Insurance Company of West Virginia 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 Municipal Mutual Insurance Company of West Virginia 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.

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

(G) The Insurance Commissioner has determined and it has been **ORDERED** that Municipal Mutual Insurance Company of West Virginia shall pay an administrative penalty to the State of West Virginia in the amount of Five Thousand Dollars (\$5,000.00) for non-compliance with the West Virginia Code as described herein. The payment of this administrative penalty is in lieu of any other regulatory penalty or remedy, and is due within THIRTY (30) calendar days upon execution of this order.

(H) 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 Municipal Mutual Insurance Company of West Virginia.

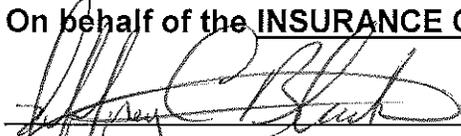
Entered this 1 day of August, 2014.



The Honorable Michael D. Riley
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the **INSURANCE COMMISSIONER:**



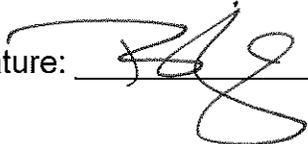
Jeffrey C. Black, Attorney Supervisor
Regulatory compliance and Enforcement

Dated: 7/30/14

On Behalf of Municipal Mutual Insurance Company

By: Brian Taylor
Print Name

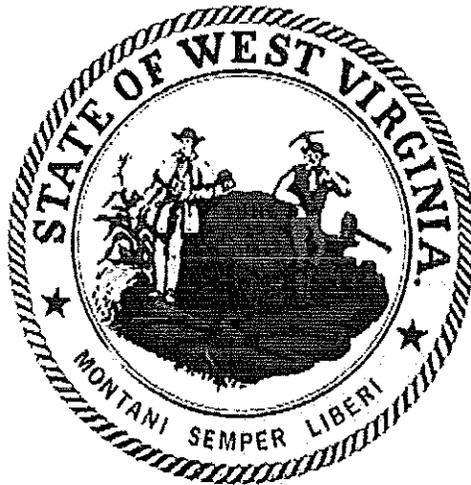
Its: President & CEO

Signature: 

Date: 7/28/14

Report of Market Conduct Examination

As of June 30, 2013



MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA

10TH & Charles Street
Wellsburg, WV 26070

NAIC COMPANY CODE 14656
Examination Number WV014-M38

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May 20, 2014

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 June 30, 2013 of the business affairs of

MUNICIPAL MUTUAL INSURANCE COMPANY OF WEST VIRGINIA
10TH & Charles Street
Wellsburg, WV 26070

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

EXECUTIVE SUMMARY

This examination is the second market conduct examination of Municipal Mutual Insurance Company of West Virginia by the State of West Virginia. The examination fieldwork began December 09, 2013 and concluded on March 10, 2014. Thirty-seven (37) standards were tested during the examination; the Company was found to be compliant with thirty-three (33) and non-compliant with four (4).

The major areas of concern are listed below:

- Standard D3 – Provide notification to the terminated producer in writing of their termination of appointment with the Company (W. Va. Code §33-12-25(d))
- Standard G2 – Proper notice of necessary delay in investigating claims letters (W. Va. Code St. R. §114-14-6.7) and timely start investigations (W. Va. Code St. R. §114-14-6.2a), both rules defining W. Va. Code §33-11-4(9)(c)
- Standard G3 – Claims are resolved in a timely manner (W. Va. Code St. R. §114-14-6.3, rule defining W. Va. Code §33-11-4(9)(c))
- Standard G9 – Closed without payment and/or denied claims are provided contact information and the option to contact the Commissioner's Office (W. Va. Code St. R. §114-14-6.17, rule defining W. Va. Code §33-11-4(9)(c))

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. When applicable, corrective action for other jurisdictions should be addressed.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

Listed below are previous examination recommendations:

Recommendation A1: It is recommended the Company adopt and implement formal internal audit procedures. The procedures should entail audits for claims including all claims submitted by employees and members of the Board of Directors. Additionally, underwriting files including declined applications and canceled policies should be audited.

The company has complied with this recommendation.

Recommendation A8: It is recommended the Company only write lines of business for which they are licensed.

The company has complied with this recommendation.

Recommendation A12: It is recommended the Company adopt written procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers. The procedures should include specific procedures for all employees who may handle nonpublic personal information.

The company has complied with this recommendation.

Recommendation B1 (a): It is recommended that the Company record the disposition of each complaint contained in its complaint register as required by W. Va. Code §33-11-4(10).

The company has complied with this recommendation.

Recommendation B1 (b): It is recommended the Company record all complaints in its complaint register including those received directly from consumers.

The company has complied with this recommendation.

Recommendation D1: It is recommended the Company adopt and implement a procedure to reconcile their agent list with that maintained by the Insurance Commission at least once a year.

The company has complied with this recommendation.

Recommendation D2: It is recommended the Company adopt and implement a procedure to ensure producers writing business for the Company are properly appointed.

The company has complied with this recommendation.

Recommendation D3: (a) It is recommended the Company adopt and implement procedures to notify all producers upon termination in accordance with W.Va. Code §33-12-25.

The Company was unable to produce copies of the termination letters; as such the company has not complied with this recommendation.

Recommendation D3: (b) It is recommended the Company adopt and implement procedures to notify the Commissioner's Office when the producer termination is for cause.

The company has complied with this recommendation.

Recommendation F23: It is recommended the Company cancel policies in accordance with policy provisions.

The company has complied with this recommendation.

SCOPE OF EXAMINATION

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

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. The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or the examiner.

HISTORY AND PROFILE

Municipal Mutual Insurance Company of West Virginia (hereinafter referred to as the "Company") was incorporated February 16, 1910, under the laws of West Virginia and began business April 1, 1910. In 1991, the Company became authorized to write business in the States of Ohio and Pennsylvania. The Company is authorized to transact business as a Farmer's Mutual Fire Insurance Company under the provisions of Article 22 of the W. Va. Insurance Code. There were no predecessor organizations and the Company is not affiliated with or a member of a group of insurers. The Company writes complete standard fire (dwelling, mobile homeowners, farm owners and commercial coverages), homeowners, mobile homeowners, farm owners, commercial insurances as well as dwelling OL&T and commercial plate glass and crime coverage. All policies are non-assessable ISO or AAIS filed programs. The Company is not a full service company and as such does not compete in the same markets with the larger full service carriers, but operates in the area of property insurance not desired by the larger full service carriers and stresses market values over replacement values. During 2012 the Company wrote over \$8,000,000 in homeowners premiums in West Virginia, giving them a 2.3% market share.

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, rules and regulations were applied to the files. All tests are described and the results displayed in this report.

In the results tables a "pass" response indicated compliance and a "fail" response indicates a failure to comply. 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 or non-compliant existed for any given test. Except as otherwise noted, all tests were conducted via 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 Company has an up-to-date, valid internal or external audit program. (2013 NAIC Market Regulation Handbook Chapter 16, § 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 §§33-3-14 and 33-33-1*]

Examiner Observations: The Company's financial statements are audited annually in accordance with W. Va. Code §33-3-14; the last such audit was conducted by S.R. Snodgrass, A.C., for the year ending December 31, 2012. The Company's Board of Directors reviews the report on the annual audit and uses the report for the basis of business decisions. The Company performs internal audits, including claims audits, and reviews of declined and cancelled policies.

Examiner Recommendations: None

Results: Compliant

Standard A3: The Company has an anti-fraud plan in place. (2013 NAIC Market Regulation Handbook Chapter 16, § 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*]

Examiner Observations: All claims are handled by the Company claim adjusters or the President of the Company and any potential acts of fraud are reported to the President of the Company and the West Virginia Offices of the Insurance Commissioner.

Examiner Recommendations: None

Results: Compliant

Standard A4: The Company has a valid disaster recovery plan. (2013 NAIC Market Regulation Handbook Chapter 16, § 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?

Examiner Observations: The Company's computer records are backed up and copies are maintained off site. In the event of a disaster or other hardship, Company records can be accessed remotely.

Examiner Recommendations: None

Results: Compliant

Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention. (2013 NAIC Market Regulation Handbook Chapter 16, § A Standard 7)

Test Methodology:

- Are the records adequate and accessible as required by W. Va. Code St. R. §114-15-4? [*W. Va. Code §33-2-9*]

Examiner Observations: Files are retained in accordance with state record retention requirements. Policy files provided contained all pertinent information from which to make an underwriting decision; however, the Company was unable to find three (3) files from the sample lists requested by the examiners.

Examiner Recommendations: It is recommended that the Company take steps necessary to comply with W. Va. Code St. R. §114-15-4 regarding state record retention.

Results: Compliant

Standard A8: The Company is licensed for the lines of business that are being written. (2013 NAIC Market Regulation Handbook Chapter 16, § A Standard 8)

Test Methodology:

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

Examiner Observations: The Company's certificate of authority was reviewed and writings were compared with authorized lines and the NAIC annual statement. The Company's current forms which are in use were reviewed. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard A9: The Company cooperates on a timely basis with examiners performing the examinations. (2013 NAIC Market Regulation Handbook Chapter 16, § A Standard 9)

Test Methodology:

- Did the Company provide records in a timely basis? [*W. Va. Code §33-2-9 and W. Va. Code St. R. §114-15-4.9(a)*]

Examiner Observations: The Company was cooperative and the examination proceeded in a cordial atmosphere. Data provided was responsive and timely.

Examiner Recommendations: None

Results: Compliant

Standard A12: The Company 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. (2013 NAIC Market Regulation Handbook Chapter 16, § A Standard 12)

Test Methodology:

- Does the Company provides adequate protection of information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code St. R. §§114-57 and 114-62]

Examiner Observations: The Company has procedures for the protection of and privacy of applicants and policyholders. Additionally, a West Virginia Privacy Statement is supplied to all applicants and policyholders.

Examiner Recommendations: None

Results: Compliant

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. (2013 NAIC Market Regulation Handbook Chapter 16, § B Standard 1)

Test Methodology:

- Is the Company recording all complaints received directly from the consumer as well as the Commissioner's Office?
- Is the Company recording all complaints in a regulated complaint register? [W. Va. Code §33-11-4(10) and W. Va. Code St. R. 114-15 et. seq.]

Examiner Observations: The Company maintains an electronic log of complaints in accordance with the requirements of the Insurance Commission. The Company registered forty-six (46) complaints for the exam period. The complaint register contained the nature of the complaint, the line of business and the time required to process the complaint. The Company complaint register was reconciled with the Insurance Commission's register with one (1) exception. The Company did not have one (1) complaint that was filed with the WV OIC listed on their complaint register. The Company did not receive any complaints directly from consumers during the exam period.

Examiner Recommendations: It is recommended the Company keep a complete record of all complaints in its complaint register as required by W. Va. Code §33-11-4(10).

It should be noted that the omitted complaint from the complaint register was handled properly and timely. The omission was corrected during the examination.

Results: Compliant

Table B1 Results: Complaints Sample

| Type | Population | Sample | Pass | Fail | Standard | Compliance |
|----------------------------------|------------|--------|------|------|----------|------------|
| 01/01/2009-06/30/2013 Complaints | 47 | 47 | 46 | 1 | 90 | 98% |

Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders. (2013 NAIC Market Regulation Handbook Chapter 16, § 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?

Examiner Observations: Insured has procedures in place. All complaints are logged. The process is to begin processing complaints within twenty-four hours and to provide a response within fifteen working days as required.

Examiner Recommendations: None

Results: Compliant

Standard B4: The time frame within which the Company responds to complaints is in accordance with applicable statutes, rules, and regulations. (2013 NAIC Market Regulation Handbook Chapter 16, § B Standard 4)

Test Methodology:

- Is the Company maintaining adequate documentation of complaints, as required by W. Va. Code §33-11-4(10) and W. Va. Code St. R. §114-14-5?
- Is the Company responding to complaints in a timely manner as required? *{W. Va. Code St. R. §114-14-5 et seq}*

Examiner Observations: The Company adequately documented complaints and responded in a timely manner to the Insurance Commission for all complaints received during the exam period.

Examiner Recommendations: None

Results: Compliant

Table B4 Results: Complaints Sample

| Type | Population | Sample | Pass | Fail | Standard | Compliance |
|----------------------------------|------------|--------|------|------|----------|------------|
| 01/01/2009-06/30/2013 Complaints | 47 | 47 | 47 | 0 | 90 | 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. (2013 NAIC Market Regulation Handbook Chapter 16, § 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*]

Examiner Observations: The Company provided a copy of all advertising material used during the exam period. Advertising material included three (3) brochures described by the Company as "inspection flyers" for policyholders that describe tips when using kerosene heaters, wood/coal heaters and central heating, as well as a general brochure with tips on home fire protection. In addition, the Company provides both pocket and photo calendars for dissemination in agency offices. Specific references or identification of policy benefits, costs, exceptions or limitations are not included in the advertising used by the Company. The advertising material made no unfair or incomplete comparisons with other policies. The advertising materials did not make any false, deceptive or misleading statements or representations

Examiner Recommendations: None

Results: Compliant

Standard C2: Company internal producer training materials are in compliance with applicable statutes, rules, and regulations. (2013 NAIC Market Regulation Handbook Chapter 16, § C Standard 2)

Test Methodology:

- Are all producer training materials in compliance with state statutes, rules and regulations?
- Are there any references to employing unfair discriminations tactics or avoiding statutory compliance? [W. Va. Code §33-11-4]

Examiner Observations: The Company has no formal training materials or a manual for producers. Agent training includes direction on the use of underwriting guidelines and policy rating. The Company requires all producer prepared advertising material be approved by the Company prior to use. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard C3: Company communications to producers are in compliance with applicable statutes, rules, and regulations. (2013 NAIC Market Regulation Handbook Chapter 16, § C Standard 3)

Test Methodology:

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

Examiner Observations: Communications between the Company and its agents are normally accomplished through bulletins and over telephone. The examiners reviewed the written communications, including those found in the policy files, for adherence to both the West Virginia Unfair Trade Practices Act and the West Virginia Unfair Claims Settlement Practices Act. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

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: Company records of licensed and appointed (if applicable) producers agree with department of insurance records. (2013 NAIC Market Regulation Handbook Chapter 16, § D Standard 1)

Test Methodology:

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

Examiner Observations: The Company's list of current appointed and licensed producers was compared to the records of the WVOIC. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard D2: The producers are properly licensed and appointed (if required by state law) in the jurisdiction where the application was taken. (2013 NAIC Market Regulation Handbook Chapter 16, § D Standard 2)

Test Methodology:

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

Examiner Observations: The Company utilizes independent agents to market and solicit insurance products in West Virginia. The examiners selected a sample of seventy-nine (79) new business policy files, eleven (11) of the files were not West Virginia policies and are indicated as not applicable (N/A) in the table. A review of sixty-eight (68) new business policy files determined that no policies were written by non-appointed producers. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table D2 Results: Producer Licensing Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Standard D3: Termination of producers complies with statutes regarding notification to the producer and notification to the state, if applicable. (2013 NAIC Market Regulation Handbook Chapter 16, § 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?
- Is the producer notified simultaneously? [*W. Va. Code §33-12-25(d)*]
- Does the Company notify the Commissioner's Office if the termination is for cause per W.Va. Code §33-12-25?

Examiner Observations: The entire population of sixty-two (62) terminated producers was reviewed. The Company was unable to produce copies of the termination letters for twenty (20) terminated producers. The Company did not terminate any producer for cause during the examination period.

Table D3 Results: Terminated Producers Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|----------------------|------------|--------|-----|------|------|----------|------------|
| Terminated Producers | 62 | 62 | 0 | 42 | 20 | 90 | 68 |

Examiner Recommendations: As per W. Va. Code §33-12-25(d), the Company is to provide notification to the terminated producer in writing of their termination of appointment with the Company. The Company should retain a copy of termination letters in their files as well.

Results: Non-Compliant

Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders. (2013 NAIC Market Regulation Handbook Chapter 16, § 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?

Examiner Observations: The Company's agents can be found throughout the State of West Virginia. The Company products are marketed in under-served areas. No unfair discrimination against policyholders can be inferred by the Company's producer appointment and termination records.

Examiner Recommendations: None

Results: Compliant

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 E2: Policy issuance and insured requested cancellations are timely. (2013 NAIC Market Regulation Handbook Chapter 16, § E Standard 2)

Test Methodology:

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

Examiner Observations: A sample of new business policy files were reviewed to determine the time required by the Company to issue policies. The date the application was signed by the producer and the date the Company issued the policy were captured. The Company issued the policy within fifteen (15) days for the entire sample tested. No exceptions were noted.

A sample of insured requested cancellation was reviewed to determine if the cancellations were timely and did not require excessive paperwork. All policies were cancelled timely.

Examiner Recommendations: None

Results: Compliant

Table E2a Results: Policyholder Service Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Table E2b Results: Policyholder Service Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|---|------------|--------|-----|------|------|----------|------------|
| Policies cancelled by insured | 3,653 | 115 | 4 | 111 | 0 | 90 | 100 |
| NOTE: Four (4) insured requested cancellations were determined to be not applicable (N/A); two (2) were conversion policies and one (1) each of a quote and a file not produced. | | | | | | | |

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. (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 1)

Test Methodology:

- Was the premium calculated correctly? [W. Va. Code §33-11-4(7)(c)]
- Were the underwriting guidelines followed? [W. Va. Code §33-11-4(7)(c)]
 - *33-11-4(7)(c) As to kinds of insurance other than life and accident and sickness, no person shall make or 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, or in the rate or amount of premium charge therefor. This paragraph shall not apply as to any premium or premium rate in effect pursuant to article twenty of this chapter.*

Examiner Observations: Although Farmers Mutual Fire Insurance Companies are not required to file rates with the Commissioner's Office; rates should not be unfairly discriminatory. Wide scale application of incorrect rates by a company may raise financial solvency questions or be indicative of inadequate management oversight.

A sample of new issue policy files was reviewed and the premium re-calculated to determine if the Company was following their underwriting guidelines. The Company consistently followed its underwriting guidelines. There were no exceptions.

Examiner Recommendations: None

Results: Compliant

Table F1 Results: Underwriting & Rating Practices Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Standard F2: Disclosures to insured concerning rates and coverage are accurate and timely. (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 2)

Test Methodology:

- Were quotations reasonable and accurate?

Examiner Observations: It is necessary to provide insured's with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions. Concerns tested included accuracy of producer quotations, including extended and supplemental coverages. Quotations were reasonable and accurate rate changes were made at renewal dates and insureds were provided adequate advance notice. New applications were reviewed with the types of coverages selected and the premium calculated using appropriate company rating materials. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F2 Results: Underwriting & Rating Practices Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Standard F3: Company does not permit illegal rebating, commission-cutting, or inducements. (NAIC Market Regulation Handbook Chapter 16, § 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)*]

Examiner Observations: A review of new issue policy files found no evidence of rebating or commission-cutting. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F3 Results: Underwriting & Rating Practices Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Standard F4: 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. (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 4)

Test Methodology:

- Is the Company following its underwriting guidelines?
- Do those guidelines conform to any applicable statutes, rules and regulations?
- Any inconsistency in handling of rating or underwriting practices?

Examiner Observations: A sample of new issue policy files was reviewed to ensure underwriting information used to make decisions was not unfairly discriminatory. It was determined that the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected. It was determined the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected.

Examiner Recommendations: None

Results: Compliant

Table F4 Results: Underwriting & Rating Practices Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| <i>Note:</i> Eleven (11) of the files were not West Virginia policies and determined to be not applicable (N/A). | | | | | | | |

Standard F7: Rejections and declinations are not unfairly discriminatory. (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 7)

Test Methodology:

- Does the Company provide valid reasons for rejection/declinations when required?
- Does the Company monitor the agency rejections/declinations for appropriate practices?

Examiner Observations: Farmers' Mutual Fire Insurance Companies are not subject to W.Va. Code §33-17A-6; however, they are subject to W.Va. Code §33-11-4(7)(c). Consistent application of the Company's underwriting rules is the primary method used to avoid unfair discrimination. A sample of eighty-four (84) declined applicant files was reviewed to determine if the reason for rejection was valid and not unfairly discriminatory. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F7 Results: Underwriting Declinations Sample

| Type | Sample | Pass | Fail | Standard | Compliance |
|------------------------------|--------|------|------|----------|------------|
| Declined policy applications | 84 | 84 | 0 | 90 | 100 |

Standard F8: Cancellation/non-renewal and declination notices comply with policy provisions and state laws and company guidelines. (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 8)

Test Methodology:

- Does the notice contain the proper reason?
- Were the company-initiated cancellations and non-renewals within the policy provisions?

Examiner Observations: As a Farmers' Mutual Fire Insurance Company, the Company is not subject to W.Va. Code §33-17A-4(a) and (b). Therefore, the Company has no direct statutory requirement to delineate reasons for declinations or cancellations on their notices. Conversely, this requirement may be implied in order to assure compliance with W.Va. Code §33-11-4(7)(c) which prohibits unfair discrimination. Cancellations contained the proper reason within the notice. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F8 Results: Underwriting Cancellations Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|---|--------------|------------|----------|------------|----------|-----------|------------|
| Policies cancelled by insured | 3,653 | 115 | 4 | 111 | 0 | 90 | 100 |
| Policies cancelled by company | 5,856 | 115 | 1 | 114 | 0 | 90 | 100 |
| TOTALS | 9,509 | 230 | 5 | 225 | 0 | 90 | 100 |
| NOTE: Four (4) insured requested cancellations were determined to be not applicable (N/A); two (2) were conversion policies and one (1) each of a quote and a file not produced. In addition, one (1) company cancelled policy was not produced. | | | | | | | |

Standard F9: Rescissions are not made for non-material misrepresentation.

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?

Examiner Observations: The Company rescinded six (6) policy files during the examination period. In each case, the policy was rescinded due to information obtained while investigating a claim submission. In three (3) instances the insured no longer had insurable interest, one (1) policy had a change in occupancy/increase in hazard and two (2) for misrepresentation. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard F17: Underwriting, rating, and classification are based on adequate information developed at or near inception of the coverage rather than near expiration or following a claim. (2013 NAIC Market Regulation Handbook Chapter 17, § F Standard 8)

Test Methodology:

- Determine if the initial underwriting of a policy is based on the information obtained after a claim is submitted.

Examiner Observations: A sample of new business policy files were reviewed to determine if decisions were based on information received at inception of the policy rather than through audits or post claim. The Company uses inspections and photographs to supplement applications.

Examiner Recommendations: None

Results: Compliant.

Table F17 Results: Underwriting Information at Inception Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| Note: Eleven (11) of the files were not West Virginia policies and are indicated as not applicable (N/A). | | | | | | | |

Standard F22: The Company does not engage in collusive or anti-competitive underwriting practices. (2013 NAIC Market Regulation Handbook Chapter 17, § F Standard 13)

Test Methodology:

- Is there any unlawful pricing or other prohibited anti-competitive acts or practices?
- Has the Company entered into any agreements with other West Virginia companies to divide the market within West Virginia by territory?

Examiner Observations: A sample of new business policy files and underwriting guidelines did not reveal any evidence of collusive or anti-competitive practices on the part of the Company.

Examiner Recommendations: None

Results: Compliant.

Table F22 Results: Underwriting Practices Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| <i>Note:</i> Eleven (11) of the files were not West Virginia policies and are indicated as not applicable (N/A). | | | | | | | |

Standard F25: Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract. (2013 NAIC Market Regulation Handbook Chapter 17, § F Standard 16)

Test Methodology:

- Was the policyholder given the proper advance notice on a company initiated cancellation/non-renewal?

Examiner Observations: W. Va. Code §33-22-15(c) requires Farmers' Mutual Fire Insurance Companies to give each policyholder five (5) days' notice of cancellation. Policyholders need sufficient time in the event of a cancellation or non-renewal to replace coverage. The Company's policy provisions allow for a broader notice of cancellation as outlined below.

A sample of company-initiated cancelled policy files was reviewed for compliance with W. Va. Code §33-22-15 and the Company's policy provisions. According to policy provisions, the Company may, within the first 60 days, cancel for any reason. If the policy has been in effect 60 days or more or it is a renewal of a policy issued by the Company, the Company may cancel or not renew only at the anniversary date unless a) the premium is not paid; b) the policy was obtained through fraud, material misrepresentation or omission of fact; or c) there has been a material change or increase in hazard of the risk. The Company will give notice at least 10 days before cancellation is effective, if the Company cancels the policy for nonpayment of premium. Otherwise, the Company will give notice at least 30 days in advance of cancellation or non-renewal.

The examiners reviewed a sample of one hundred fifteen (115) company policy cancellations to determine if the advance cancellation notices were provided according to policy provisions. Two (2) company cancelled policies, both cancelled due to "increase in hazard", were provided only a fifteen (15) day notice and not the appropriate thirty (30) day notice.

Examiner Recommendations: The Company is to provide advance notice of cancellations as indicated by policy provisions.

Results: Compliant

Table F25 Results: Underwriting Notices of Cancellation Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| Policies cancelled by company | 5,856 | 115 | 1 | 112 | 2 | 90 | 98 |
| <i>Note: One (1) company cancelled policy file was not produced and is listed as not applicable (N/A).</i> | | | | | | | |

Standard F27: File documentation adequately supports decisions made. (2013 NAIC Market Regulation Handbook Chapter 17, § F Standard 18)

Test Methodology:

- Is the file adequately documented with the proper application, photos, and inspections?

Examiner Observations: The sample of new business policies reviewed files were found to contain sufficient documentation to support the decisions made.

Examiner Recommendations: None

Results: Compliant.

Table F27 Results: Underwriting File Documentation Sample

| Type | Population | Sample | N/A | Pass | Fail | Standard | Compliance |
|--|------------|--------|-----|------|------|----------|------------|
| New business policies | 3,153 | 79 | 11 | 68 | 0 | 90 | 100 |
| <i>Note: Eleven (11) of the files were not West Virginia policies and are indicated as not applicable (N/A).</i> | | | | | | | |

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.

Standard G1: The initial contact by the Company with the claimant is within the required time frame. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 1)

Test Methodology:

- Was the claimant contacted within 15 working days (or mandated emergency order timeframe) from the date of the loss notice per W.Va. Code §33-11-4(9)(b) and W. Va. Code St. R. §114-14-5.1?

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. The Company did not make contact with claimant within the required time frame in two (2) paid claims.

Examiner Recommendations: It is recommended that all claimants be contacted within fifteen (15) working days upon receiving notification of a claim in accordance with W. Va. Code St. R. §114-14-5.1.

Results: The standard of compliance is 93%. The Company's handling practices were compliant.

Table G1 Results: Claims Initial Contact Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|---|--------------|------------|------------|----------|----------|-----------|------------|
| Paid claims | 5,741 | 109 | 107 | 0 | 2 | 93 | 98 |
| Claims closed w/o pmt | 2,356 | 108 | 101 | 7 | 0 | 93 | 100 |
| TOTALS | 8,097 | 217 | 208 | 7 | 2 | 93 | 99 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G2: Timely investigations are conducted. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 2)

Test Methodology:

- Did the investigation commence within fifteen (15) working days of any claim filed per W. Va. Code §33-11-4(9)(c) and W. Va. Code St. R. §114-14-6.2 a?
- Is the investigation continuing more than 30 calendar days? If so, was a delay letter sent within 15 working days after the 30 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code St. R. §114-14-6.7?
- If the investigation continued, were subsequent delay letters sent with 45 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code St. R. §114-14-6.7?

Examiner Observations: The examiners reviewed paid claims and closed without payment claims. In nineteen (19) claims, the Company failed to properly issue twenty-five (25) delay letters. This would be considered a violation of W. Va. Code St. R. §114-14-6.7 (failure to issue a delay letter). On two (2) paid claims the Company failed to initiate the investigation within the required time frame.

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.7 regarding notice of necessary delay in investigating claims and also W. Va. Code St. R. §114-14-6.2a regarding start of investigation, along with any Emergency Order regarding start of investigation and notice of necessary delay in investigating claims.

Results: The standard of compliance is 93%. The Company's handling practices were non-compliant.

Table G2 Results: Claims Timely Investigation Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|------|------------|--------|------|-----|------|----------|------------|
|------|------------|--------|------|-----|------|----------|------------|

| | | | | | | | |
|---|--------------|------------|------------|----------|-----------|-----------|-----------|
| Paid claims | 5,741 | 109 | 105 | 0 | 4 | 93 | 96 |
| Claims closed w/o pmt | 2,356 | 108 | 84 | 7 | 17 | 93 | 83 |
| TOTALS | 8,097 | 217 | 189 | 7 | 21 | 93 | 90 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G3: Claims are resolved in a timely manner. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 3)

Test Methodology:

- Did the Company deny the claim or make a written offer within ten (10) working days of completing its investigation per W. Va. Code §33-11-4(9)(c) and W. Va. Code St. R. §114-14-6.3?

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. The Company failed to timely make a written offer on one (1) paid claim and failed to deny fifteen (15) closed without payment claims within ten (10) days of completing its investigation.

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.3 and timely resolve claims.

Results: The standard of compliance is 93%. The Company's handling practices were non-compliant.

Table G3 Results: Claims Resolution Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|---|--------------|------------|------------|----------|-----------|-----------|------------|
| Paid claims | 5,741 | 109 | 108 | 0 | 1 | 93 | 99 |
| Claims closed w/o pmt | 2,356 | 108 | 86 | 7 | 15 | 93 | 85 |
| TOTALS | 8,097 | 217 | 194 | 7 | 16 | 93 | 92 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G4: The Company responds to claim correspondence in a timely manner. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 4)

Test Methodology:

- Did the Company reply to pertinent communications from a claimant which reasonably suggests that a response is needed? [W. Va. Code St. R. §114-14-5.3 and W. Va. Code §33-11-4(9)(b)]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. The Company failed to respond to pertinent communications in two (2) paid claims within the time requirement.

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-5.3 and W. Va. Code §33-11-4(9)(b) by responding to pertinent communications timely.

Results: The standard of compliance is 93%. The Company's handling practices were compliant.

Table G4 Results: Claims Correspondence Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|---|--------------|------------|------------|----------|----------|-----------|------------|
| Paid claims | 5,741 | 109 | 107 | 0 | 2 | 93 | 98 |
| Claims closed w/o pmt | 2,356 | 108 | 101 | 7 | 0 | 93 | 100 |
| TOTALS | 8,097 | 217 | 208 | 7 | 2 | 93 | 99 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G5: Claim files are adequately documented. (2013 NAIC Market Regulation Handbook Chapter 16, § 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? [W. Va. Code St. R. §114-14-3 and W. Va. Code §33-11-4(9) et. seq.]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. One (1) paid and one (1) CWOP claim failed to be adequately documented.

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-3 to have files adequately documented.

Results: The standard of compliance is 93%. The Company's handling practices were compliant.

Table G5 Results: Claims Documentation Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|---|--------------|------------|------------|----------|----------|-----------|------------|
| Paid claims | 5,741 | 109 | 108 | 0 | 1 | 93 | 99 |
| Claims closed w/o pmt | 2,356 | 108 | 100 | 7 | 1 | 93 | 99 |
| TOTALS | 8,097 | 217 | 208 | 7 | 2 | 93 | 99 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G7: Company claim forms are appropriate for the type of product. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 7)

Test Methodology:

- Are the Company claim forms appropriate?

Examiner Observations: The examiners found no exceptions to the rule.

Examiner Recommendations: None

Results: The standard of compliance is 93%. The Company's handling practices were compliant.

Table G7 Results: Claims Forms Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|-----------------------|--------------|------------|------------|----------|----------|-----------|------------|
| Paid claims | 5,741 | 109 | 109 | 0 | 0 | 93 | 100 |
| Claims closed w/o pmt | 2,356 | 108 | 101 | 7 | 0 | 93 | 100 |
| TOTALS | 8,097 | 217 | 210 | 7 | 0 | 93 | 100 |

Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A).

Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 9)

Test Methodology:

- Is the denial based upon specific policy provisions or exclusions?
- Is the claimant provided with a reasonable basis for the denial when required by statute or regulation? [*W. Va. Code St. R. §114-14-6.5, rule defining W. Va. Code §33-11-4(9)(n)*]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [*W. Va. Code St. R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10*]
- Is the claimant given the option of contacting the Commissioner's Office and provided with its mailing address, telephone number, and website address? [*W. Va. Code St. R. §114-14-6.17, rule by authority of W. Va. Code §33-2-10*]

Examiner Observations: There were twenty-four (24) claims that did not meet W. Va. Code St. R. §114-14-6.17 (Option of contacting the W. Va. Insurance Commissioner's Office).

Examiner Recommendations: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.17: Provide contact information and the option to contact the W. Va. Insurance Commissioner's Office.

Note: The Company has indicated that inclusion of contact information and W. Va. Insurance Commissioner's Office contact information was implemented prior to the examination.

Results: The standard of compliance is 93%. The Company's handling practices were non-compliant.

Table G9 Results: Claims Denied or Closed Without Payment Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|---|------------|--------|------|-----|------|----------|------------|
| Claims closed w/o pmt | 2,356 | 108 | 77 | 7 | 24 | 93 | 76 |
| Note: Seven (7) closed without payment claims were determined not applicable due to claim reopened to process additional payment or reimbursement, and no claim filed and are indicated as not applicable (N/A). | | | | | | | |

Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices. (2013 NAIC Market Regulation Handbook Chapter 16, § G Standard 10)

Test Methodology:

- Do the checks include the correct payee and are they for the correct amount?
- That payment checks do not indicate the payment is "final" when such is not the case.
- That checks or drafts do not purport to release the insurer from total liability when such is not the case.

Examiner Observations: Checks were in the correct amount and included the correct payee. No exceptions were noted.

Examiner Recommendations: None

Results: The standard of compliance is 93%. The Company's handling practices were compliant.

Table G10 Results: Claims Payments Sample

| Type | Population | Sample | Pass | N/A | Fail | Standard | Compliance |
|-------------|------------|--------|------|-----|------|----------|------------|
| Paid claims | 5,741 | 109 | 109 | 0 | 0 | 93 | 100 |

SUMMARY OF RECOMMENDATIONS

Recommendation A7: It is recommended that the Company take steps necessary to comply with W. Va. Code St. R. §114-15-4 regarding state record retention.

Recommendation B1: It is recommended the Company keep a complete record of all complaints in its complaint register as required by W. Va. Code §33-11-4(10).

Recommendation D3: As per W. Va. Code §33-12-25(d), the Company is to provide notification to the terminated producer in writing of their termination of appointment with the Company. The Company should retain a copy of termination letters in their files as well.

Recommendation F25: The Company is to provide advance notice of cancellations as indicated by policy provisions.

Recommendation G1: It is recommended that all claimants be contacted within fifteen (15) working days upon receiving notification of a claim in accordance with W. Va. Code St. R. §114-14-5.1.

Recommendation G2: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.7 regarding notice of necessary delay in investigating claims and also W. Va. Code St. R. §114-14-6.2a regarding start of investigation, along with any Emergency Order regarding start of investigation and notice of necessary delay in investigating claims

Recommendation G3: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.3 and timely resolve claims.

Recommendation G4: It is recommended that the Company comply with W. Va. Code St. R. §114-14-5.3 and W. Va. Code §33-11-4(9)(b) by responding to pertinent communications timely.

Recommendation G5: It is recommended that the Company comply with W. Va. Code St. R. §114-14-3 to have files adequately documented.

Recommendation G9: It is recommended that the Company comply with W. Va. Code St. R. §114-14-6.17: Provide contact information and the option to contact the Commissioner's Office.

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, Robert Parsons, CIE, MCM, AIRC, CWCP, ACS, CICS, CCP also participated in this examination.



Desiree D. Mauller, CWCP, MCM
Examiner-in-Charge

EXAMINER'S AFFIDAVIT

State of West Virginia

County of Kanawha

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

I, Desiree D. Mauller, being duly sworn, states as follows:

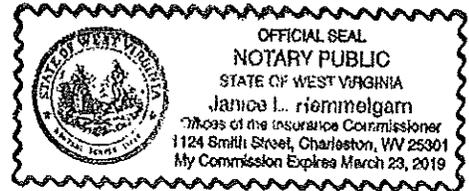
1. I have the authority to represent West Virginia in the examination of Municipal Mutual Insurance Company of West Virginia.
2. I have reviewed the examination work papers and examination report, and the examination of Municipal Mutual Insurance Company of West Virginia was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.



Desiree D. Mauller, CWCP, MCM
Examiner in Charge

Subscribed and sworn before me by Desiree D. Mauller on this 20 day of May, 2014.


Notary Public

My commission expires: March 23, 2019 (date).