

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

**IN RE: STATE AUTO NATIONAL INSURANCE COMPANY  
NAIC #19530**

**ADMINISTRATIVE PROCEEDING  
11-MAP-02003**

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

NOW COMES The Honorable MICHAEL D. RILEY, Acting Insurance Commissioner of the State of West Virginia, and issues this Agreed Order which adopts the Report of Market Conduct Examination, directs corrective action and assesses a penalty as a result of findings in the Report of Market Conduct Examination for the examination of State Auto National Insurance Company (hereinafter "State Auto") for the examination period ending June 30, 2010 based upon the following findings, to wit:

**PARTIES**

The Honorable MICHAEL D. RILEY is the Acting 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, as amended.

State Auto is domiciled in the state of Ohio and has been issued a certificate of authority to transact private passenger liability insurance in the State

of West Virginia as permitted under Chapter 33 of the West Virginia Code.

This target market conduct examination was conducted and instituted as result and per the authority of West Virginia Code § 33-2-9.

### **FINDINGS OF FACT**

A Market Conduct Examination concerning the operational affairs of State Auto for the period ending June 30, 2010, was conducted in accordance with West Virginia Code § 33-2-9 by examiners duly appointed by the Insurance Commissioner. The Market Conduct Examination of the Company began on January 17, 2011 and concluded on February 10, 2011.

On April 8, 2011, the examiner filed with the Insurance Commissioner, pursuant to West Virginia Code § 33-2-9(j)(2), a Report of Market Conduct Examination.

On April 18, 2011, a true copy of the Report of Market Conduct Examination was sent to State Auto by certified and electronic mail and was received by State Auto on April 25, 2011.

On April 18, 2011, State Auto was notified pursuant to West Virginia Code § 33-2-9(j) (2) that it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner. The company did not file a response to the Report of Market Conduct Examination with the Insurance Commissioner.

The Market Conduct Examination was called as a result of the Final Order in Administrative Proceeding 09-THP-01078. This was a targeted examination, only the standards which were pertinent to the targeted examination or the

treatment of third party claimants were examined. The examination primarily focused on third-party claims handling with particular attention to the companies response to pertinent communications from claimants or their representatives. The result of the market conduct examination did not reveal any violations of the W. Va. Code or Regulations cited in Administrative Proceeding 09-THP-01078.

The Report of Market Conduct Examination focused on the methods used by the Company to manage its operations for each of the business areas examined which includes the analysis of how the Company communicates its instructions and intentions throughout company operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities.

The examination covered sixteen (16) standards during the examination and of the sixteen (16) standards the Company passed fifteen (15) standards and failed one (1) standard, which dealt primarily with failure to provide claimants with the appropriate contact information for the West Virginia Insurance Commissioner upon denial of claims and advising claimants to submit medical invoices to another insurance carrier.

Two (2) additional standards included recommendations, (1) The Company should investigate and resolve all claims filed by the claimant in a timely manner; and (2) Claimants should not be advised to make a claim with another insurance carrier when liability has become reasonably clear. These violations did not meet the threshold to consider the standards failed.

9. State Auto hereby waives additional notice and review of the Report of Market Conduct Examination, notice of administrative hearing, any and all rights to an administrative hearing, and to appellate review of any matters contained herein this Agreed Order.

10. 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 the subject matter of and the parties to this proceeding.

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

3. That State Auto has incurred eight (8) violations of W. Va. Code St. R. § 114-14-6.17 and two (2) violations of W. Va. Code St. R. § 114-14-6.13 pertaining to the denied/closed without payment claims. The frequency of these violations was sufficient to fail the standard. One (1) additional violation of W. Va. Code St. R. § 114-14-6.13 pertaining to third party claims which did not occur with such frequency to fail the standard. The company did not comply with W. Va. Code St. R. § 114-14-6.3 in two (2) claims which did not occur with such frequency to fail the standard.

4. The result of the target market conduct examination did not reveal any violations of W. Va. Code § 33-11-4(9)(b) and W. Va. Code St. R. § 114-14.5.3 which would indicate that violations cited in Administrative Proceeding 09-THP-01078 constituted a business practice.

5. The Commissioner is charged with the responsibility of verifying

continued compliance with West Virginia Code and the West Virginia Code of State Rules by State Auto as well as all other provisions of regulation that State Auto is subjected to by virtue of their Certificate of Authority to operate in the State of West Virginia.

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

### **ORDER**

Pursuant to West Virginia Code § 33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, the Insurance Commissioner and State Auto have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination. The Parties have further agreed to the imposition of corrective action and an administrative penalty against State Auto as set forth below.

It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of State Auto for the period ending June 30, 2010, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner.

(B) It is **ORDERED** that STATE AUTO will **CEASE AND DESIST** from failing to comply with the statutes, rules and regulations of the State of West Virginia concerning any business so handled in this State and more specifically the provisions enumerated herein this Order and/or the Report of Market Conduct Examination adopted herein where applicable.

(C) It is further **ORDERED** that State Auto shall continue to monitor its compliance with the West Virginia Code, the West Virginia Code of State Rules

and all laws it is subject thereto.

(D) It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, State Auto shall file with the West Virginia Insurance Commissioner, in accordance with West Virginia 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 State Auto shall ensure compliance with the West Virginia Code and the Code of State Rules. State Auto shall specifically cure those violations and deficiencies identified in the Report of Market Conduct including providing appropriate restitution (where applicable) or other handling of the issue so as to bring the violations into compliance and conformity with the Commissioner's recommendations and any applicable law(s).

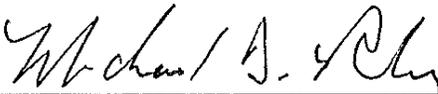
(F) It is further **ORDERED** that State Auto shall file a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail State Auto's changes to its procedures and/or internal policies to ensure compliance with the West Virginia Code 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. State Auto 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 State Auto 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) The Insurance Commissioner has determined and it has been agreed by State Auto and therefore, it is hereby **ORDERED** that State Auto shall pay an administrative penalty to the State of West Virginia in the amount of Two Thousand, Five Hundred Dollars (\$2,500.00) 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, and is due within **THIRTY (30) calendar days** upon execution of this Order.

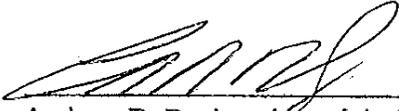
(H) It is finally **ORDERED** that all such review periods, statutory notices, administrative hearings and appellate rights are herein waived concerning this Report of Market Conduct Examination and Agreed Order. All such rights are preserved by the Parties regarding any future action taken, if any, on such Order by the Commissioner against The State Auto

Entered this 23 day of September, 2011.

  
\_\_\_\_\_  
The Honorable MICHAEL D. RILEY  
Acting Insurance Commissioner

REVIEWED AND AGREED TO BY:

On Behalf of the WEST VIRGINIA OFFICE OF THE INSURANCE  
COMMISSIONER:

  
\_\_\_\_\_  
Andrew R. Pauley, Associate Counsel  
Attorney Supervisor, APIR

Dated: 9/23/11

On Behalf of THE STATE AUTO NATIONAL INSURANCE COMPANY:

By: Patrick M Dukes  
\_\_\_\_\_  
[Print Name]

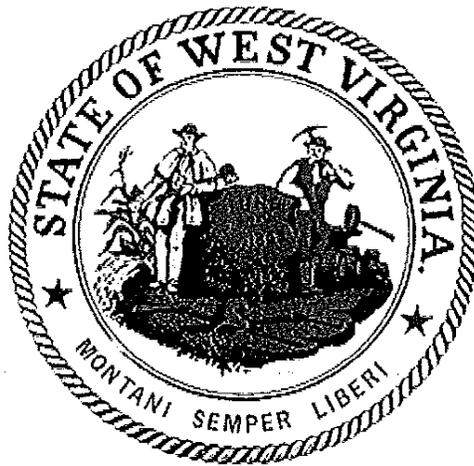
Its: Compliance Officer  
\_\_\_\_\_

Signature: Patrick M Dukes  
\_\_\_\_\_

Date: 9-20-11  
\_\_\_\_\_

# Report of Market Conduct Examination

As of June 30, 2010



## State Auto National Insurance Co

518 E Broad St  
Columbus OH 43215

NAIC COMPANY CODE 19530  
Examination Number WV014-M24

## Table of Contents

FOREWORD.....	1
EXECUTIVE SUMMARY .....	1
PURPOSE AND SCOPE OF EXAMINATION.....	2
HISTORY AND PROFILE.....	3
METHODOLOGY .....	4
A. Company Operations & Management.....	5
B. Complaint Handling .....	6
G. Claims Practices .....	8
CONCLUSION .....	19
LIST OF RECOMMENDATIONS .....	20
EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT .....	21
EXAMINER'S AFFIDAVIT.....	22

April 8<sup>th</sup>, 2011

The Honorable Jane L. Cline  
West Virginia Insurance Commissioner  
1124 Smith Street  
Charleston, West Virginia 25301

Dear Commissioner Cline:

Pursuant to your instructions and in accordance with W. Va. Code § 33-2-9, an examination has been made as of June 30, 2010 regarding treatment of third party claimants:

**State Auto National Insurance Company**  
518 E Broad St  
Columbus OH 43215

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

## FOREWORD

The Company is an Ohio-domiciled property and casualty insurance company that provides private passenger automobile liability insurance.

This is a report by test of Company compliance with selected Standards contained in the National Association of Insurance Commissioners' (NAIC) *2010 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.

"Company" as used herein refers to State Auto National Insurance Company. "WVOIC" as used herein refers to the West Virginia Offices of the Insurance Commissioner. "W.Va. Code St. R." as used herein refers to the West Virginia Code of State Rules. "W.Va. Code" as used herein refers to the West Virginia Code Annotated.

## EXECUTIVE SUMMARY

The examination began January 17, 2011 and concluded on February 10, 2011. The examination was conducted at the Company's Columbus, Ohio location. The examination was called as a result of the Final Order entered in Administrative Proceeding No. 09-THP-01078. The Administrative Order concluded that the Company committed a single violation of the Unfair Claims Settlement Act by violating W. Va. Code St. R. § 114-14-5.3 wherein the Company failed to reply to other pertinent communications within fifteen (15) working days of receipt by the insurer to all other pertinent communications from a claimant which reasonably suggest that a response is expected. By definition, it is also a violation of W. Va. Code § 33-11-4(9)(b), "failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies."

W. Va. Code § 33-11-4A(e) & (f) implies that, upon any finding that a company committed an unfair claims settlement practice with respect to a third-party claimant, the Commissioner determines whether or not that the practice occurred with such frequency as to be construed as a general business practice of the Company. In this case, the Commissioner determined that the most efficient way to make this determination was through a targeted Market Conduct Examination. The examination primarily focused on third-party claims handling with particular attention to the companies responses to pertinent communications from claimants or their representatives (Standard G4). Certain standards from the Company Operations and Management Section, and Complaint Handling Section of the *Market Regulation Handbook* were also included within this examination report. The result of the target market examination did not reveal any violations of the W. Va. Code or Regulations cited in Administrative Proceeding No. 09-THP-01078.

A total of sixteen (16) standards were reviewed during this examination. Of these sixteen (16) standards the Company passed fifteen (15) and failed one (1) standard (G9), which primarily dealt with failure to provide claimants with the appropriate contact information for the West Virginia Insurance Commissioner upon denial of claims and advising claimants to submit medical invoices to another insurance carrier. Two (2) additional standards (G3 and G6) included recommendations. The Company should investigate and resolve all claims filed by the claimant in a timely manner, and should not advise claimants to make a claim another insurance carrier when liability has become reasonably clear. These violations did not meet the threshold to consider the standards failed.

### PURPOSE AND SCOPE OF EXAMINATION

Market conduct examiners with the WVOIC reviewed certain business practices of State Auto National Insurance Company. Sections § 33-2-9 empower the Commissioner to examine any entity engaged in the business of insurance. The findings in this report, including all work products developed in producing it, are the sole property of the WVOIC.

The purpose of this targeted examination was to determine the Company's compliance with West Virginia insurance laws relating to treatment of third party claimants. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record.

This examination was governed by, and performed in accordance with procedures developed by the WVOIC that are based on those of the National Association of Insurance Commissioners (NAIC), modified to conform to the requirements of West Virginia insurance laws. In reviewing material for this report, the examiners relied primarily on records and material maintained and/or submitted by the Company. The examination covered the period of the Company's operations, from January 1, 2008 through June 30, 2010.

File sampling was based on review of closed without payment/denied and paid claim files. Claim files were randomly selected from the data provided by the Company. Sample sizes were chosen based on procedures developed by the NAIC. Only standards pertaining to this target market conduct examination were utilized from the 2010 NAIC *Market Regulation Handbook*. Upon review of each file, any concerns or discrepancies were noted on requests for information and delivered to the Company for review. Once the Company was advised of a concern contained in a request for information (RFI), the Company had the opportunity to respond. For each finding, the Company was requested to agree, disagree, or otherwise justify the Company's noted action. At the conclusion of the fieldwork, the Company was provided a summary of the findings at the exit conference and a draft of the report was provided for the Company's review. The examination report is a report by test, reporting all areas reviewed and for each test,

reports if the examiners found that the Company “Passed”, “Failed”, or “Passed with Recommendation”.

The basic business areas that were reviewed and tested under this examination were:

- Company Operations and Management
- Complaint Handling
- Claims Practices

Each business area has standards that the examination measured. Some standards have specific statutory guidelines, others have specific company guidelines, and yet others have contractual guidelines. Since this was a targeted examination, only the standards which were pertinent to the targeted examination or the treatment of third party claimants were examined.

The focus of the examination is 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 throughout its operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities. The examination also determined 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 verify the Company is in compliance with West Virginia statutes and rules.

## HISTORY AND PROFILE

State Auto National Insurance Company was incorporated under the laws of Ohio on October 4, 1991 and commenced business in February 1992. State Auto National Insurance Company was a subsidiary of State Auto Financial Corporation until on December 31, 2010 the sale of State Automobile National Insurance Company to Hallmark Insurance Company was finalized.

State Auto Financial Corporation is headquartered in Columbus, Ohio and is a regional property and casualty insurance holding company. The insurance subsidiaries of State Auto Financial Corporation are part of the State Auto Group which includes State Automobile Mutual, State Auto Property & Casualty, State Auto Ohio, State Auto Wisconsin, State Auto Florida, Milbank, Farmers Casualty, Meridian Security, Meridian Citizens Mutual, Beacon National, Beacon Loyds, Patrons Mutual and Litchfield Mutual Fire.

The State Auto Mutual Group has achieved geographical diversification and expansion through both mergers and acquisitions. The companies within the group market their products through more than 24,000 independent agents, which are associated with approximately 4,800 agencies in 38 central and eastern states. The group has more than 2,300 dedicated employees servicing more than one million policies out of the home office and 13 regional or branch offices throughout the states of operation.

For many years, State Auto Mutual and its pooled affiliates have earned one of the highest policyholder's ratings – A+ (Superior) – from The A.M. Best Company.

## METHODOLOGY

This examination is based on the standards and tests for a market conduct examination of a property and casualty insurer found in Chapter XVI of the 2010 NAIC *Market Regulation Handbook* and in applicable West Virginia statutes and rules.

Some of the standards were measured using a single type of review, while others used a combination or all types of review. The types of review used in this examination fall into three general categories: generic, sample, and electronic.

A “generic” review indicates that a standard was tested through an analysis of general data gathered by the examiner or provided by the examinee in response to queries by the examiner.

A “sample” review indicates that a standard was tested through direct review of a random sample of files selected using Audit Command Language (ACL) and sampling methodology described in Chapter XIV of the Handbook. For statistical purposes, an error tolerance level of 7% was used for claims and a 10% tolerance was used for other types of review. Examiners determined acceptance samples designed to rule out, with 95% confidence, that the proportion of errors in the various populations from which the samples were drawn does not exceed the recommended tolerance levels.

An “electronic” review indicates that a standard was tested through use of a computer program or applied to a download of the Company's computer records. This type of review typically reviews all records of a particular type.

Each standard tested is described and the result of testing is provided under the appropriate standard. Each standard applied is described, and the result of testing is provided under the appropriate standard. The standard, its statutory authority under West Virginia law, and its source in the NAIC *Market Regulation Handbook* are stated and contained within a bold border.

Each standard is accompanied by a “Comment” describing the purpose or reason for the standard. “Results” are indicated, examiner's “Observations” are noted, and in some cases, a “Recommendation” is made. Comments, Results, Observations and Recommendations are maintained with the appropriate standard.

### A. *Company Operations & Management*

**Comments:** 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. Because this was a targeted examination primarily focused on Claims Handling, only two standards of this section of the NAIC *Market Regulation Handbook* were selected for review. These standards focused mainly on recordkeeping and the efficiency of the Company's responses to the examiner's requests.

**Standard A7**

*NAIC Market Regulation Handbook – Chapter XVI, § A, Standard 7*

Records are adequate, accessible, consistent, and orderly, and comply with state record retention requirements.

*W. Va. Code § 33-11-4 & W. Va. Code St. R. §§ 114-14-3 & 114-15-4*

**Comments:** The review methodology for this standard is generic. The standard does have a direct statutory requirement. This standard is intended to assure that an adequate and accessible record exists of the Company's transactions. The focus is on the records and actions considered in a market conduct examination such as, but not limited to, trade practices, claim practices, policy selection and issuance, rating, and complaint handling, etc. Inadequate, disorderly, inconsistent, and inaccessible records can lead to inappropriate rates and other issues, which can provide harm to the public.

**Results:** Pass

**Observations:** All files were available and were orderly. Claim records reviewed were available either by hard copy or the Company's computer network.

**Recommendations:** None

**Standard A9**

*NAIC Market Regulation Handbook – Chapter XVI, § A, Standard 9*

The Company cooperates on a timely basis with examiners performing the examination.

*W. Va. Code § 33-22-9 & W. Va. Code St. R. § 114-15-1, et seq.*

**Comments:** The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is aimed at assuring that the Company is cooperating with the State in the completion of an open and cogent review of the Company's operations in West Virginia. Cooperation with examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely fashion and minimizing the cost of the examination.

**Results: Pass**

**Observations:** The Company was extremely cooperative during the examination and responded to all examiners' requests timely.

**Recommendations:** None

**Standard A18**

NAIC Market Regulation Handbook – Chapter XVI, § A, Standard 18

All data required to be reported to departments of insurance is complete and accurate.

W. Va. Code § 33-22-9 &amp; W. Va. Code St. R. § 114-15-1, et seq.

**Comments:** The review methodology for this standard is generic. The standard does have a direct statutory requirement. This standard is intended to assure that the Company provides complete and accurate data to The West Virginia Offices of the Insurance Commissioner.

**Results: Pass**

**Observations:** The Company provided a reconciliation of the claims data provided to the WVOIC to the state page of their annual statement for the period January 1, 2008 to June 30, 2010. The reconciliation provided was sufficient.

**Recommendations:** None

**B. Complaint Handling**

**Comments:** Evaluations of the standards in this business area are based on Company responses to various requests for information and the review of the Company's complaint files. 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 "[t]his 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**

NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 1

All complaints are recorded in the required format on the company complaint register.

W. Va. Code § 33-11-4(10)

**Comments:** The review methodology for this standard is sample and generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company keeps formal track of complaints or grievances as required by statute. An

insurer is required to maintain a complete record of all complaints received. The record must indicate the total number of complaints since the last examination, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

**Results: Pass**

**Observations:** The Company registered eleven (11) complaints for the examination period. The complaint register listed the policy number, insured name, complainants name, date received, reason for complaint, resolution status and resolution date. In addition to ten (10) WVOIC complaints reviewed the Company received one (1) internal complaint. The internal complaint was an email to the Company.

**Table B1: Complaints Sample Results**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Complaints	11	11	0	11	0	100%

**Recommendations: None**

<p><b>Standard B2</b> The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.</p>	<p style="text-align: center;"><i>NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 2</i></p> <p style="text-align: right;"><i>W. Va. Code § 33-11-4(10) &amp; W. Va. Code St. R. § 114-14-5.2</i></p>
---	---

**Comments:** The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company has an adequate complaint handling procedure and whether the Company communicates complaint handling procedures to its policyholders. W. Va. Code § 33-11-4(10) requires all insurers to maintain a complete record of all complaints it has received since its last examination.

**Results: Pass**

**Observations:** The Company did maintain a complete record of complaints received from the Commissioner’s Office. The Company’s written procedure is to provide a response within fifteen (15) working days as required by W. Va. Code St. R. §114-14-5.2.

**Recommendations: None**

<p><b>Standard B3</b> The Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules, and regulations, and contract language.</p>	<p style="text-align: center;"><i>NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 3</i></p> <p style="text-align: right;"><i>W. Va. Code § 33-11-4(10) &amp; W. Va. Code St. R. § 114-14-5.2</i></p>
--	---

**Comments:** The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company has an adequate complaint handling procedure and whether the Company communicates complaint handling procedures to its policyholders. W. Va. Code § 33-11-4(10) requires all insurers to maintain a complete record of all complaints it has received since its last examination.

**Results: Pass**

**Observations:** The Company’s complaint procedures appear to be adequate to comply with W. Va. Code §33-11-4(10) and W.Va. Code St. R. §114-14-5.2.

**Recommendations: None**

<b>Standard B4</b>	<i>NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 4</i>
The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules, and regulations.	
<i>W. Va. Code § 33-11-4(10) &amp; W. Va. Code St. R. § 114-14-5.2</i>	

**Comments:** The review methodology for this standard is sample. The standard does not have a direct statutory requirement, however, timeliness is inferred. In the case of complaints concerning claims, direct time requirements are found in regulation. This standard is concerned with whether the Company responded to complaints timely. West Virginia’s complaint handling section uses a fifteen (15) working day standard for responses to complaints.

**Results: Pass**

**Observations:** The Company responded within fifteen (15) working days to the WVOIC generated or internal complaints received directly by the Company during the examination period.

Table B4: Complaints Sample Results

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Complaints	11	11	0	11	0	100%

**Recommendations: None**

**G. Claims Practices**

**Comments:** The evaluation of standards in this business area is based on Company responses to information 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** *NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 1*  
**The initial contact by the company with the claimant is within the required time frame.**  
*W. Va. Code § 33-11-4(9)(b) & W. Va. Code St. R. § 114-14-5.1*

**Comments:** Review methodology for this standard is generic, sample, and electronic. This standard derives directly from W. Va. Code § 33-11-4(9)(b) which prohibits “[F]ailing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies.” W. Va. Code St. R. § 114-14-5.1 states that “[E]very insurer, upon receiving notification of a claim shall, within fifteen (15) working days, acknowledge the receipt of such notice unless full payment is made within such period of time.”

**Results: Pass**

**Observations:** Random samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were selected and reviewed to determine if the Company made timely contact with claimants. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. Company contact times were in compliance with State statutes, rules and regulations. No exceptions were noted.

**Table G1: Claims, Initial Contact**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%
Third-party claims, closed without payment	261	76	7	69	0	100%
Totals	1,054	159	17	142	0	100%

**Recommendations: None**

**Standard G2** *NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 2*  
**Timely investigations are conducted.**  
*W. Va. Code § 33-11-4(9)(c) & W. Va. Code St. R. § 114-14-6*

**Comments:** Review methodology for this standard is generic and sample. This standard has a direct statutory requirement and is intended to assure that the carrier initiates a prompt and complete investigation. Concerns tested within this standard include compliance with:

- W. Va. Code. § 33-11-4(9)(c) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies

- W. Va. Code St. R. § 114-14-6.2(a) which requires that the investigation be initiated within fifteen (15) working days from receiving notice of the claim.
- W. Va. Code St. R. § 114-14-6.7 which requires a notice of necessary delay in investigating claims, if the insurer needs more than thirty (30) calendar days from receipt notice of claim from a third-party claimant to determine whether a claim should be accepted or denied, it shall so notify the claimant in writing within fifteen (15) working days after the thirty-day period expires. If the investigation remains incomplete, the insurer shall provide written notification of the delay to the claimant every forty five (45) calendar days thereafter until the investigation is complete.

Claim files that did not require the notice of necessary delay because they were resolved in a timely manner were considered to be a “Pass” rather than “Non-applicable” for evaluation purposes of this standard.

**Results: Pass**

**Observation:** Random samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were selected and reviewed to determine if the Company made timely investigations. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. The examiner’s review of the claims did not indicate any exceptions.

**Table G2: Claims, timely investigation**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%
Third-party claims, closed without payment	261	76	7	69	0	100%
Totals	1,054	159	17	142	0	100%

**Recommendations: None**

<p><b>Standard G3</b>  <b>Claims are resolved in a timely manner.</b></p>	<p><i>NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 3</i>  <i>W. Va. Code § 33-11-4(9)(l) &amp; (m), &amp; W. Va. Code St. R. § 114-14-6.3</i></p>
---	---

**Comments:** Review methodology for this standard is generic, sample, and electronic. This standard has a direct statutory requirement. This standard is intended to assure that claims are promptly settled once liability is reasonably clear. Applicable statutes and rules for this standard include:

- W. Va. Code § 33-11-4(9)(e). Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;

- W. Va. Code § 33-11-4(9)(f). Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;
- W. Va. Code § 33-11-4(9)(m). Failing to promptly settle claims, where liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage;
- W. Va. Code St. R. § 114-14-6.3. Duty after investigation. -- Within ten (10) working days of completing its investigation, the insurer shall deny the claim in writing or make a written offer, subject to policy

**Results: Pass with recommendation**

**Observations:** The samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were tested and a time study performed to determine if claims were resolved timely. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. Three (3) claims were not resolved in a timely manner due to Company closing the files prior to full and final resolution of those claims.

The Company noted that the claims supervisor and manager will review proper claim handling procedures with the claim adjuster unit in order to avoid any such instances in the future.

**Table G3: Claims, claims resolution**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%
Third-party claims, closed without payment	261	76	7	66	3	96%
Totals	1,054	159	17	139	3	98%

**Recommendations:** The Company should investigate and resolve all claims filed by the claimant in a timely manner,

<p><b>Standard G4</b> The regulated entity responds to claim correspondence in a timely manner.</p>	<p><i>NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 4</i> <i>W. Va. Code § 33-11-4(9)(b) &amp; W. Va. Code St. R. § 114-14-5.3</i></p>
---	---

**Comments:** Review methodology for this standard is generic and sample. This standard has a direct statutory requirement. The standard is intended to assure that companies treat claimants properly by promptly responding to inquiries of claimants and their representatives. Applicable statutes and regulation for this standard include:

- W. Va. Code § 33-11-4(9)(b), which prohibits “failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies.”
- W. Va. Code St. R. § 114-14-5.3: Replies to other pertinent communications. – A reply shall be made within fifteen (15) working days of receipt by the insurer to all other pertinent communications from a claimant which reasonably suggest that a response is expected.

**Results: Pass**

*NOTE: Results of this standard directly relate to the determination as to whether the violation identified in Administrative Proceeding No. 09-THP-01078 occurred with such frequency that a business practice may be construed.*

**Observations:** The samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were reviewed to determine if the Company promptly responded to correspondence received. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. No exceptions were notated during the examination of the files during this examination.

**Table G4: Claims, claims correspondence**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%
Third-party claims, closed without payment	261	76	7	69	0	100%
Totals	1,054	159	17	142	0	100%

**Recommendations: None**

<b>Standard G5</b> Claim files are adequately documented.	<i>NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 5</i>  <i>W. Va. Code St. R. §§ 114-14-3 &amp; 114-15-4.2a, 4.4</i>
--	---

**Comments:** Review methodology for this standard is generic, sample, and electronic. This standard has a direct statutory requirement. Without adequate documentation, proper claimant treatment as well as the various time frames required by statutes and/or regulation cannot be demonstrated. Applicable statutes and regulations for this standard include:

- W. Va. Code St. R. § 114-14-3 - The insurer’s claim files shall be subject to examination by the Commissioner or by his or her duly appointed designees. Such files shall 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. All communications and transactions emanating from or received by the insurer shall be dated by the insurer. A notation of the substance and date of all oral

communications shall be contained in the claim file. Insurers shall either make a notation in the file or retain a copy of all forms mailed to claimants.

- W. Va. Code St. R. § 114-15-4.4 -- Claim files shall be maintained as follows:

a. A claim file and accompanying records shall be maintained for the calendar year in which the claim is closed, plus additional years as set forth in subdivision b, subsection 4.2 of this section. The claim file shall be maintained so as to show clearly the inception, handling and disposition of each claim. The claim files shall be sufficiently clear and specific so that pertinent events and dates of these events can be reconstructed. A claim file shall, at a minimum, include the following items:

1. For property and casualty: the file or files containing the notice of claim, claim forms, proof of loss or other form of claim submission, settlement demands, accident reports, police reports, adjustors' logs, claim investigation documentation, inspection reports, supporting bills, estimates and valuation worksheets, medical records, correspondence to and from insureds and claimants or their representatives, notes, contracts, declaration pages, certificates evidencing coverage under a group contract, endorsements or riders, work papers, any written communication, any documented or recorded telephone communication related to the handling of a claim, including the investigation, payment or denial of the claim, copies of claim checks or drafts, or check numbers and amounts, releases, all applicable notices, correspondence used for determining and concluding claim payments or denials, subrogation and salvage documentation, any other documentation created and maintained in a paper or electronic format, necessary to support claim handling activity, and any claim manuals or other information necessary for reviewing the claim;

**Results: Pass**

**Observations:** The samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were reviewed to determine if documentation supported the ultimate claim determination. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. Without exception, the examiner found that all claim files contained the necessary detail as to allow pertinent events and the dates of such events of the claim to be reconstructed. During the examination of closed without payment claims the examiner noticed what appeared to be a merging of two (2) distinct dates of losses under one date of loss. The company agreed. No exception notated in findings.

**Table G5: Claims, adequate documentation**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%
Third-party claims, closed without payment	261	76	7	69	0	100%
Totals	1,054	159	17	142	0	100%

**Recommendations: None**

**Standard G6***NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 6***Claims are properly handled in accordance with policy provisions and applicable statutes, rules, and regulations.***W. Va. Code § 33-11-4(9) & W. Va. Code St. R. § 114-14-1, et seq.*

**Comments:** Review methodology for this standard is generic and sample. This standard has a direct statutory requirement. Concerns tested with this standard include:

- Claim handling meets West Virginia statutes and rules as applied to sales tax payment, correct payees, improper release of claims, and proper payment of non-disputed claims.
- Coverage was checked for proper application of exclusionary language.
- Appropriate disclosures are given when a claim nears the applicable statute of limitations.

Applicable statutes and regulations include:

- W. Va. Code § 33-11-4(9)(a) Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;
- W. Va. Code § 33-11-4(9)(h) Attempting to settle a claim for less than the amount to which a reasonable man would have believed he was entitled by reference to written or printed advertising material accompanying or made part of an application;
- W. Va. Code § 33-11-4(9)(j) Making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made
- W. Va. Code St. R. § 114-14-6.4. Offers of settlement. --

a. In any case where there is no dispute as to coverage and liability, it is the duty of every insurer to offer claimants or their authorized representatives, amounts which are fair and reasonable, as shown by the insurer's investigation of the claim, providing the amounts so offered are within policy limits and in accordance with the policy provisions.

b. No insurer may attempt to settle a claim by making a settlement offer that is unreasonably low.

- W. Va. Code St. R. § 114-14-6.4., 6.10. Separation of claims. -- In any case where there is no dispute as to one (1) or more elements of a claim, payment for such element(s) shall be made notwithstanding the existence of disputes as to other elements of the claim where such payment can be made without prejudice to either party.

- W. Va. Code St. R. § 114-14-6.12. Notice of applicable time limitations. -- No person may negotiate for settlement of a claim with a claimant who is neither an attorney nor represented by an attorney without giving the claimant written notice that the claimant's rights may be affected by a statute of limitations or a policy or contract time limit. Such notice shall be given to first-party claimants not less than thirty (30) days and to third-party claimants not less than sixty (60) days, before the date on which such time limit expires.
- W. Va. Code St. R. § 114-14-6.13. Avoidance of payment. -- Where liability and damages are reasonably clear, no person may recommend that third-party claimants make claim under their own policies solely to avoid paying claims under an insurer's insurance policy or insurance contract.
- W. Va. Code St. R. § 114-14-6.14. Unreasonable travel. -- No person may require a claimant to travel unreasonably
- W. Va. Code St. R. § 114-14-6.16. Claim proceeds used to pay premiums of another policy. -- No insurer may deduct from a claim payment made under one policy premiums owed by the insured on another policy unless the insured consents.
- W. Va. Code St. R. § 114-14-6.18. Motor vehicle repair shops. -- An insurer may furnish to the claimant the names of one or more conveniently located motor vehicle repair shops that will perform the repairs; however, no insurer may require the claimant to use a particular repair shop or location to obtain the repairs.

**Results: Pass with Recommendations**

**Observations:** The sample of eighty-three (83) paid claims was reviewed and determined to be in accordance with State law and policy provisions including settlement times and settlement amounts. A total of ten (10) paid claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia. The examiner's review of the claims indicated one (1) claim where the adjuster advised the claimant to submit medical bills to her and her husband's medical insurance. The Company did reimburse the claimant a total of \$365.52 for her out of pocket expenses under bodily injury. The claimant does not appear to have any out-of pocket expenses related to his claim. There may be a subrogation issue with the claimant's and her husband's insurance carriers.

The Company's response indicated the adjuster would make contact with claimant to verify if claimant would like to present claim and request the necessary documents and records. The Company also noted that the claims supervisor and manager will review proper claim handling procedures with the claim adjuster unit in order to avoid any such instances in the future.

Table G6: Claims, claims settlement

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	72	1	99%

- **Recommendations:** The Company should not recommend third-party claimants to make a claim under another policy per W. Va. Code St. R. § 114-14-6.13.

**Standard G7** *NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 7*  
**Regulated entity claim forms are appropriate for the type of product.**  
*NOTE: This standard does not have a direct statutory requirement. However, the Commissioner has authority to take action under the provisions of W. Va. Code § 33-11-7.*

**Comments:** Review methodology for this standard is generic. The standard is intended to assure that claims forms are appropriate, not misleading, and do not require claimants to make unreasonable efforts to pursue claims.

**Results:** Pass

**Observations:** The samples of eighty-three (83) paid claims and seventy-six (76) closed without payment claims were reviewed and it was determined there were no inappropriate claim forms used. A total of ten (10) paid and seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia.

**Recommendations:** None

**Standard G9** *NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 9*  
**Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.**  
*W. Va. Code § 33-11-4(9)(e) & (n), & W. Va. Code St. R. § 114-14-6.17, 6.3, & 6.5*

**Comments:** Review methodology for this standard is generic. This standard has a direct statutory requirement. Concerns tested for this standard include:

- W. Va. Code St. R. § 33-11-4(9)(d) Refusing to pay claims without conducting a reasonable investigation based upon all available information;
- W. Va. Code St. R. § 33-11-4(9)(e) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;
- W. Va. Code St. R. § 33-11-4(9)(n) Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement;

- W. Va. Code St. R. § 114-14-6.4. Offers of settlement. --
  - a. In any case where there is no dispute as to coverage and liability, it is the duty of every insurer to offer claimants or their authorized representatives, amounts which are fair and reasonable, as shown by the insurer's investigation of the claim, providing the amounts so offered are within policy limits and in accordance with the policy provisions.
  - b. No insurer may attempt to settle a claim by making a settlement offer that is unreasonably low.
- W. Va. Code St. R. § 114-14-6.10. Separation of claims. -- In any case where there is no dispute as to one (1) or more elements of a claim, payment for such element(s) shall be made notwithstanding the existence of disputes as to other elements of the claim where such payment can be made without prejudice to either party
- W. Va. Code St. R. § 114-14-6.12. Notice of applicable time limitations. -- No person may negotiate for settlement of a claim with a claimant who is neither an attorney nor represented by an attorney without giving the claimant written notice that the claimant's rights may be affected by a statute of limitations or a policy or contract time limit. Such notice shall be given to first-party claimants not less than thirty (30) days and to third-party claimants not less than sixty (60) days, before the date on which such time limit expires.
- W. Va. Code St. R. § 114-14-6.13. Avoidance of payment. -- Where liability and damages are reasonably clear, no person may recommend that third-party claimants make claim under their own policies solely to avoid paying claims under an insurer's insurance policy or insurance contract.
- W. Va. Code St. R. § 114-14-6.17 states the following:

Any notice rejecting any element of a claim shall contain the identity and the claims processing address of the insurer and the claim number. The notice must state that the claimant has the option of contacting the Commissioner. The notice must provide the Commissioner's mailing address, telephone number and website address.

**Results: Fail**

**Observations:** A random sample of seventy-six (76) claims that were either denied or closed-without-payment during the examination period was reviewed for the above listed criteria. A total of seven (7) closed without payment claims were non-applicable to the review because the claim occurred in a jurisdiction other than West Virginia.

Eight (8) third-party claim denial notices did not contain the required contact information and thus were not in compliance with W. Va. Code St. R §114-14-6.17. Two (2) claims violated W. Va. Code St. R. § 114-14-6.13 by the adjuster recommending that the claimant make a claim under another policy of which one (1) was also included in W. Va.

Code St. R §114-14-6.17. The adjuster advised a claimant to file their medical bills with another insurance carrier, the claimant called again and inquired about the address for where to send her medical bills to. The adjuster again advised the claimant to send medical bills to another carrier for payment. The other occurrence the claimant was advised to submit insurance claim through husband’s insurance. The claimant inquired about an address where to send bills and was advised again to submit to her husband’s med carrier.

The Company’s response indicated the adjuster would make contact with the claimant to verify if the claimant would like to present the claim and request the necessary documents and records. The Company also indicated that the claims supervisor and manager will review proper claim handling procedures with the claim adjuster unit in order to avoid any such instances in the future. The examiner notes that the instances of noncompliance with W. Va. Code St. R. § 114-14-6.13 did not occur with such frequency as to be construed as a business practice of the Company..

**Table G9: Claims, closed without payment sample results**

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, closed without payment	261	76	7	60	9	87%

**Recommendations:** It is recommended that the Company include the appropriate WVOIC contact information as required by W. Va. Code St. R. § 114-14-6.17. Also, the Company should not recommend third-party claimants to make a claim under their own policy as per W. Va. Code St. R. § 114-14-6.13.

Standard G10 *NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 10*  
 Cancelled benefit checks and drafts reflect appropriate claim handling practices.  
*W. Va. Code § 33-11-4(9) & W. Va. Code St. R. § 114-14-1 et seq*

**Comments:** Review methodology for this standard is electronic and sample. The concerns tested for this standard include:

- This standard has a direct statutory requirement that cancelled benefit checks include the correct payee and are 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.

**Results: Pass**

**Observations:** The sample of eighty-three (83) paid claims were reviewed. A total of ten (10) paid claims were non-applicable to the review because the claim occurred in a

jurisdiction other than West Virginia. Checks were in the correct amount and included the correct payee. No exceptions were noted.

Table G10: Claims, sample result

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third-party claims, paid	793	83	10	73	0	100%

*Recommendations:* None

### CONCLUSION

The examination revealed eight (8) violations of W. Va. Code St. R. § 114-14-6.17 and two (2) violations of W. Va. Code St. R. § 114-14-6.13 pertaining to the denied/closed without payment claims. The frequency of these violations was sufficient to fail the standard (G9). The examination revealed one (1) additional violation of W. Va. Code St. R. § 114-14-6.13 pertaining to third-party claims which did not occur with such frequency to fail the standard (G6).

The Company did not comply with W. Va. Code St. R. § 114-14-6.3 in two (2) claims which did not occur with such frequency to fail the standard (G3).

*The result of the target market examination did not reveal any violations of W. Va. Code § 33-11-4(9)(b) and W. Va. Code St. R. § 114-14.5.3 which would indicate that violations cited in the administrative proceeding constituted a business practice.*

**LIST OF RECOMMENDATIONS**

**Recommendation G3:** The Company should investigate and resolve all claims filed by the claimant in a timely manner as required by W. Va. Code § 33-11-4(9)

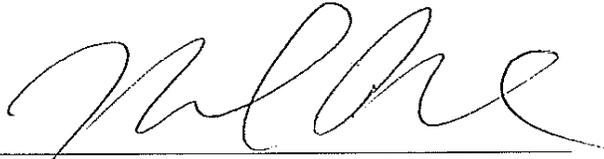
**Recommendation G6:** The Company should not recommend third-party claimants to make a claim under another policy per W. Va. Code St. R. § 114-14-6.13.

**Recommendation G9:** It is recommended that the Company include the appropriate WVOIC contact information as required by West Virginia Code State R § 114-14-6.17. Also, the Company should not recommend third-party claimants to make a claim under another policy as per W. Va. St. R. § 114-14-6.13.

**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, Brad Beam, MCM and Robert Parsons, MCM also participated in the examination.

A handwritten signature in black ink, appearing to read 'M. Hooker', written over a horizontal line.

Mark A. Hooker, CIE, CPCU, FLMI, CWCP  
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, Mark A. Hooker, being duly sworn, states as follows:

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

The affiant says nothing further.

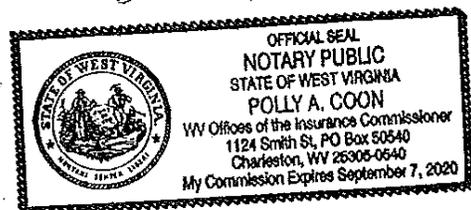
*[Handwritten signature of Mark A. Hooker]*

Mark A. Hooker, CIE, CPCU, FLMI, CWCP, MCM  
Chief Market Conduct Examiner

Subscribed and sworn before me by Mark A. Hooker on this 8<sup>th</sup> day of Nov, 2011.

(SEAL)

*[Handwritten signature of Polly A. Coon]*  
\_\_\_\_\_  
Notary Public



My commission expires on Sept. 7, 2020 (date).