

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

**IN RE:
W.VA. INSURANCE COMPANY
ADMINISTRATIVE PROCEEDING
13-MC-STAT-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 W.Va. Insurance Company 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. W.Va. Insurance Company operates under the provisions of Chapter 33, of the West Virginia Code and is domiciled in West Virginia.

3. W.Va. Insurance Company 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 November 12, 2013 and concluded on January 24, 2014. A total of forty-two (42) standards were tested during this examination. Of these forty-two (42), the company was found to be compliant with forty (40); (one (1) predominantly compliant) and two (2) noncompliant.

3. The result of the Market Conduct Examination did reveal the following violations: W.Va. Code R. §114-14-6.7 pertaining to no or untimely delay letters, W. Va. Code R § 114-14-6.5 pertaining to claim denials not referencing the policy provision justifying the denial, W. Va. Code R. § 114-14-6.12 for not notifying claimants of the statute of limitations 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 March 14, 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 W. Va. Insurance Company.

6. W. Va. Insurance Company 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. W. Va. Insurance Company has filed no objections and has elected to enter into this Agreed Order.

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

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

CONCLUSIONS OF LAW

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

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

3. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by W. Va. Insurance Company 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. W. Va. Insurance Company 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 W. Va. Insurance Company thereto, if any, the Insurance Commissioner and W. Va. Insurance Company have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination. The Parties have further agreed to the imposition of an administrative penalty against W. Va. Insurance Company as set forth below.

It is accordingly **ORDERED** as follows:

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

(B) It is **ORDERED** that W. Va. Insurance Company 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 W. Va. Insurance Company shall continue to monitor its Compliance with 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, W. Va. Insurance Company 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 **W. Va. Insurance Company SHALL FILE** a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail W. Va. Insurance Company'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. W. Va. Insurance Company shall implement reasonable changes to the Corrective Action Plan if requested by the Insurance Commissioner within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan. The Insurance Commissioner shall provide notice to W. Va. Insurance Company if the Corrective Action Plan is disapproved and the reasons for such disapproval within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan.

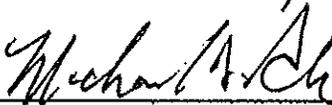
(F) It is further **ORDERED** that W. Va. Insurance Company shall ensure compliance with the West Virginia Code and the Code of State Rules. W. Va. Insurance Company shall specifically cure those violations and deficiencies identified in the Report of Market Conduct Examination; and

(G) The Insurance Commissioner has determined and it has been **ORDERED** that W. Va. Insurance Company 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 W. Va. Insurance Company.

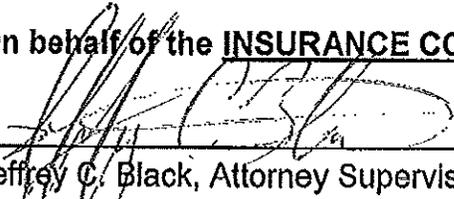
Entered this 6th day of May, 2014.



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: 5/6/14

On Behalf of W. Va. Insurance Company

By: Lawrence B. Colteky

Print Name

Its: Secretary / CEO

Signature: Lawrence B Colteky

Date: 05/05/2014

Report of Market Conduct Examination

As of June 30, 2013



W. VA. INSURANCE COMPANY

Route 16 N
Harrtsville, WV 26362

NAIC COMPANY CODE 11003
Examination Number WV014-M39

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March 14, 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

W. VA. INSURANCE COMPANY
Route 16 N
Harrisville, WV 26362

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 W. Va. Insurance Company by the State of West Virginia. The examination fieldwork began November 12, 2013 and concluded on January 24, 2014. Forty-two (42) standards were tested during the examination; the Company was found to be compliant with forty (40) – one (1) predominantly compliant – and non-compliant with two (2).

The major areas of concern are listed below.

1. Issuing notice of necessary delay in investigating claims. [W. Va. Code St. R. §114-14-6.7]
2. Complying with the following:
 - W. Va. Code St. R. §114-14-6.5: State the legal grounds for the claim denial.
 - W. Va. Code St. R. §114-14-6.12: Notify first-party claimant of the statute of limitations, not less than thirty days before the date on which such time limit expires.
 - W. Va. Code St. R. §114-14-6.17: Provide contact information and the option to contact the Commissioner's Office. This previous Market Conduct Examination report (as of December 31st, 2006) contained a recommendation to the company to comply with this rule subsection.

Various non-compliant practices were identified; 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.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

The West Virginia Offices of the Insurance Commissioner (WVOIC) previously conducted a comprehensive market conduct examination of the Company as of December 31, 2006 pursuant to the statutory obligation of the Commissioner's Office to examine each West Virginia domestic insurance company every five (5) years. Business areas reviewed and tested included Company Operations & Management, Complaint Handling, Marketing & Sales, Producer Licensing, Policyholder Services, Underwriting, and Claims.

There were nine (9) recommendations – three in Operations & Management, two each in Claims and Producer Licensing, and one each in Complaints and Marketing & Sales.

Listed below are the examiner's findings on the Company's responses to the previous examination's recommendations.

- It is recommended the Company adopt and implement 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.
It appears the Company has complied with this recommendation.

- It is recommended the Company discontinue writing Farm Employers Liability coverage until they are properly licensed.
It appears the Company has complied with this recommendation.
- It is recommended the Company adopt written procedures to protect the privacy of non-public 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 non-public personal information.
It appears the Company has complied with this recommendation.
- It is recommended the Company record all written complaints in its complaint register, including those received directly from customers.
It appears the Company has complied with this recommendation.
- It is recommended the Company maintain copies of their advertising to ensure compliance with applicable statutes, rules, and regulations.
It appears the Company has complied with this recommendation.
- 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.
It appears the Company has complied with this recommendation.
- It is recommended the Company adopt and implement a procedure to ensure producers writing business for the Company are properly appointed.
It appears the Company has complied with this recommendation.
- It is recommended the Company adopt and implement procedures to ensure claim files are sufficiently documented to support claim decisions including pertinent claim events and the timing of the events.
It appears the Company has complied with this recommendation.
- It is recommended the Company include in all claim denial letters the contact information required by W. Va. Code St. R. §114-14-6.17 and the Company's revised claim manual, dated 7/1/05.
It appears the Company has not 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.

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

HISTORY AND PROFILE

West Virginia Insurance Company (hereinafter referred to as the "Company") was incorporated on July 21, 1923 and began business on September 1, 1923. 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 mainly writes standard fire insurance and homeowners insurance.

The Company is governed by a nine-member Board of Directors. Directors serving as of June 30, 2013 were as follows:

Name and Address	Business Affiliation	Board Member Since
Bryan R. Cokeley PO Box 1526 Charleston WV 25326	Lawyer Steptoe & Johnson	January 2013
Edward R. Cokeley HC 80 Box 10 Harrsville WV 26362	President, West Virginia Insurance Company Owner/CPA, Cokeley & Associates	October 1991
Lawrence B. Cokeley RR 2 Box 86 Pensboro WV 26415	Secretary West Virginia Insurance Company	January 1989
Warren R. Haught PO Box 2 Smithville WV 26178	Oil & Gas Producer	July 1977
Michael J. Krupa 3610 Keene Pike Nicholasville KY 40356	Pharmacist and Minister	January 1983
Joe L. Lambert 315 E. Main St Harrsville WV 26362	Vice President/Treasurer West Virginia Insurance Company	July 1970
Mark A. Spiker 304 Masonic Ave Pensboro WV 26415	Dentist	January 1989
James E. Starr 614 Wigner Ave Harrsville WV 26362	Owner Starr Woodworking Inc.	April 1983

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 report is a report by tests.

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, predominantly 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. (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 §33-33-1)

Examiner Observations: The Company's financial statements, expenses, and investment portfolio are audited annually in accordance with W. Va. Code §33-3-14. The audit company just changed its name on October 2, 2013 and is now known as Zeno, Puckly, Lilly, & Copeland A.C. The Board of Directors reviews the auditors' report and approves it at their board meetings. The Company has an investment committee that reviews investments prior to each board meeting.

The company performs internal audits, including claims audits, and reviews of declined and cancelled policies. These are reviewed at the quarterly board of directors' meetings.

Examiner Recommendations: None

Results: Compliant

Standard A3: The Company has an anti-fraud plan in place. (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: The claim handling manual requires adjusters to report any fraudulent activity. Since March 2008, the Company has a Code of Ethics that all must comply with all laws and regulations and be willing to report malpractice, malfeasance and potential fraud.

Examiner Recommendations: None

Results: Compliant

Standard A4: The Company has a valid disaster recovery plan. (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: Company backup procedures require the information system to be backed up daily. Quarterly information backups are kept off-site. The Company also maintains compatible computer equipment off-site.

Examiner Recommendations: None

Results: Compliant

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

Test Methodology:

- Are the records adequate and accessible?

Examiner Observations: Files are retained in accordance with state record retention requirements. Policy files contained all pertinent information from which to make an underwriting decision. Company is in the process of imaging all older files.

Examiner Recommendations: None

Results: Compliant

Standard A8: The Company is licensed for the lines of business that are being written.
(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. Company no longer writes farm employers liability coverage. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

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

Test Methodology:

- Did the company provide records in a timely basis?

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. (NAIC Market Regulation Handbook Chapter 16, § A Standard 12)

Test Methodology:

- Does the Company provide adequate protection of information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders?

Examiner Observations: 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. (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)]

Examiner Observations: The Company is recording all written complaints from the consumer, as well as those from the WVOIC. The record contains the required fields: 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.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant

Table B1 Results: Complaints Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Complaints	45	45	45	0	90	100

Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders. (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? [W. Va. Code St. R. §114-14-5.2]

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 by W. Va. Code St. R. §114-14-5.2.

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. (NAIC Market Regulation Handbook Chapter 16, § B Standard 4)

Test Methodology:

- Is the company maintaining adequate documentation of complaints? [W. Va. Code §33-11-4(10)]
- Is the company responding to complaints in a timely manner? [W. Va. Code St. R. §114-14-5.2]

Examiner Observations: The Company is adequately documenting complaints and is responding in a timely manner.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table B4 Results: Complaints Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Complaints	45	45	45	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. (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: Advertising consists of simple advertisements placed primarily into local newspapers and high school sports and activities brochures, stating "Fire • Lightning • Wind" and then the name, address, and phone number. One radio advertisement was placed during the exam term. It was reviewed and stated they sell homeowners and fire policies and are rated "A" by A.M. Best. The Company maintained a copy of the advertisements used. The Company must approve any producer sales materials and advertising.

Examiner Recommendations: None

Results: Compliant

Standard C2: Company internal producer training materials are in compliance with applicable statutes, rules, and regulations. (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 manuals 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.

Examiner Recommendations: None

Results: Compliant

Standard C3: Company communications to producers are in compliance with applicable statutes, rules, and regulations. (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? [*W. Va. State Code §33-11-4 and W. Va. Code St. R. §114-14-1, et seq.*]

Examiner Observations: Communication between the Company and producers is mainly over the telephone. Written communication in the form of bulletins and correspondence in policy files was reviewed 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. (NAIC Market Regulation Handbook Chapter 16, § D Standard 1)

Test Methodology:

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

Examiner Observations: The Company's list of current appointed and licensed producers was reconciled with the records of the WVOIC, without exceptions.

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. (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 §33-12-11]

Examiner Observations: The Company utilizes independent agents to market and solicit insurance products in West Virginia. A review of one hundred fifteen (115) new business policy files determined that no policies were written by non-appointed producers. All applications were properly signed by licensed and appointed agents. The Company appoints the producer within fifteen days from the date the agency contract is executed, before the producer submits any applications to the Company. Date records of commission payments were reconciled with producer appointment dates to verify that all were properly licensed and appointed; no exceptions were noted.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table D2 Results: Producer Licensing Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
New business policies	8,145	115	115	0	90	100

Standard D3: Termination of producers complies with statutes regarding notification to the producer and notification to the state, if applicable. (NAIC Market Regulation Handbook Chapter 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? [W. Va. Code §33-12-25]

Examiner Observations: The Company terminated one producer during the examination period. That agent retired and was not terminated for cause. The Commissioner's Office was notified.

Examiner Recommendations: None

Results: Compliant

Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders. (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. (NAIC Market Regulation Handbook Chapter 16, § E Standard 2)

Test Methodology:

- Was the policy issued within fifteen (15) days?
- Any excessive paperwork required? *[no statutory requirement]*

Examiner Observations: A sample of newly issued policy files was 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 days for the entire sample tested. No exceptions were noted.

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

Examiner Recommendations: None

Results: For both tables, the standard of compliance is 90%. The Company's handling practices were compliant.

Table E2a Results: Policyholder Service Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
New business policies	8,145	115	115	0	90	100

Table E2b Results: Policyholder Service Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Policies cancelled by policyholder	4,879	115	115	0	90	100

Standard E7: Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook Chapter 16, § E Standard 7)

Test Methodology:

- Did the company charge and refund the appropriate premium?

Examiner Observations: A random sample of terminated policy files was reviewed to determine if the Company provided the appropriate refund amount. The Company refunded the correct premium when applicable and refunds were timely; or the amount was transferred and credited to a new policy, no exceptions were noted.

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table E7 Results: Underwriting Unearned Premium Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Policies cancelled by policyholder	4,879	115	115	0	90	100
Policies cancelled by company	10,492	115	115	0	90	100
TOTALS	15,371	230	230	0	90	100

F. UNDERWRITING & RATING

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

Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan. (NAIC Market Regulation Handbook Chapter 16, § F Standard 1)

Test Methodology:

- Was the premium calculated correctly? *{W. Va. Code §33-11-4(7)(c)}*
- Did the Company adhere to its rating manual? *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 adhered to its rating manual. The Company consistently followed its rating manual. There were no exceptions.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F1 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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

Test Methodology:

- Were quotations reasonable and accurate?

Examiner Observations: It is necessary to provide insureds 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 the appropriate W.Va. Insurance rate book.

Only one exception was noted: The agent calculated the premium based upon an F1 policy rather than a F2, resulting in a lower quote, however the applicant was notified (within two days) before the initial premium was made.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F2 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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 as well as the agents' commission files found no evidence of rebating or commission-cutting. All agents are paid the same percentage of commission on all premiums received by the Company no matter the type of policy or coverage.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F3 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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. (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 the company's underwriting practices?

- Do the applications have the required fraud warning statement?

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 the Company was selecting risks and assigning rates according to Company guidelines and no unfair discriminatory practices were detected. The applications contained the fraud warning statement.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F4 Results: Underwriting Risk Selection Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
New business policies	8,145	115	115	0	90	100

Standard F7: Rejections and declinations are not unfairly discriminatory. (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?
- Has the appropriate refund been made to the applicant?

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. An initial sample of one hundred eight (108) declined applicant files was reviewed to determine if the reason for rejection was valid and not unfairly discriminatory. In addition, the files were reviewed to determine if the reason for rejection was properly documented. Seventeen (17) of the initial 108 files were not declinations, but were pre-survey-type requests with timely responses, before any applications were submitted. These seventeen were stricken from the sample and replaced. The Company declined actual applications because the property or the coverage did not meet underwriting guidelines. All rejections based on underwriting guidelines were valid and properly documented, no exceptions were noted. Agents typically submit any questionable applications for final decision by the company.

Although slight in number, any premium money received is quickly returned by the company. Typically, the check is never cashed.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F7 Results: Underwriting Declinations Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Declined policy applications	181	108	108	0	90	100

Standard F8: Cancellation/non-renewal and declination notices comply with policy provisions and state laws and company guidelines. (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: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F8 Results: Underwriting Cancellations Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Policies cancelled by policyholder	4,879	115	115	0	90	100
Policies cancelled by company	10,492	115	115	0	90	100
TOTALS	15,371	230	230	0	90	100

Standard F9: Rescissions are not made for non-material misrepresentation. (NAIC Market Regulation Handbook Chapter 16, § F Standard 9)

Test Methodology:

- Is the decision to rescind the policy made in accordance with applicable statutes, rules, and regulations?
- Do the rescinded policies indicate a trend toward post-claim underwriting practices?

Examiner Observations: The Company does not rescind policies or coverage. The Company issues coverage and if it later determines the insured does not meet underwriting guidelines or makes any material misrepresentations the Company cancels the policy and returns the entire premium.

Examiner Recommendations: None

Results: Pass

Standard F11: Schedule rating or individual risk premium modifications plans, where permitted, are based on objective criteria with usage supported by appropriate documentation. (NAIC Market Regulation Handbook Chapter 17, § F Standard 2)

Test Methodology:

- Is any scheduled rating or individual risk premium modifications not based on objective criteria?
- Are credits or deviations on a non-discriminatory basis?

Examiner Observations: Consistency is the key in avoiding the appearance or actuality of unfair discrimination. Company underwriting guidelines were applied in a uniform manner to all applicants and policyholders. A review of the new business policy files did not indicate any deviation from the Company underwriting guidelines. No scheduled rating by the Company.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F11 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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. (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 underwriting files was 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. Premiums are calculated by the agent in the field and indicated on the application. Once the application is received by the home office it is re-calculated to verify its accuracy. All applications contained the correct premium quote.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F17 Results: Underwriting Information at Inception Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
New business policies	8,145	115	115	0	90	100

Standard F22: The Company does not engage in collusive or anti-competitive underwriting practices. (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 review of the sample of new issue 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: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F22 Results: Underwriting Practices Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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. (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 majority of the sample was cancellations for non-payment and the company followed the policy provisions. Other cancellations gave proper 30-day notice. No exceptions were noted. Any cancellations/non-renewals that were due a refund had proper calculations and were refunded promptly.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F25 Results: Underwriting Notices of Cancellation Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Policies cancelled by policyholder	4,879	115	115	0	90	100
Policies cancelled by company	10,492	115	115	0	90	100
TOTALS	15,371	230	230	0	90	100

Standard F27: File documentation adequately supports decisions made, (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: All files were found to contain sufficient documentation to support the decisions made.

Examiner Recommendations: None

Results: The standard of compliance is 90%. The Company's handling practices were compliant.

Table F27 Results: Underwriting File Documentation Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
New business policies	8,145	115	115	0	90	100

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. (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? [W. Va. Code §33-11-4(9)(b) and W. Va. Code St. R. §114-14-5.1]

Examiner Observations: In one first party closed without payment claim the company did not contact with claimant within the required time frame.

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 predominantly compliant.

Table G1 Results: Claims Initial Contact Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
Claims closed w/o pmt (1 st party)	6,446	108	106	1	93	99
Claims closed w/o pmt (3 rd party)	56	56	55	0	93	100
TOTALS	15,603	349	344	1	93	99.7

NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.

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

Test Methodology:

- Did the investigation commence within fifteen (15) working days of any claim filed? [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? [W. Va. Code St. R. §114-14-6.7]
- If the investigation continued, were subsequent delay letters sent with 45 calendar days? [W. Va. Code St. R. §114-14-6.7]

Examiner Observations: In fifty-one (51) claims, Insured failed to properly issue delay letters. This would be considered a violation of W. Va. Code St. R. §114-14-6.7 (failure to issue a delay letter).

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, if the insurer needs more than thirty (30) calendar days from the date that a proof of loss from a first party claimant or notice of claim from a third-party claimant is received 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.

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	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	88	20	93	81
Paid claims (3 rd party)	114	76	65	10	93	87
Claims closed w/o pmt (1 st party)	6,446	108	94	13	93	88
Claims closed w/o pmt (3 rd party)	56	56	50	5	93	91
TOTALS	15,603	349	297	48	93	86

NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.

Standard G3: Claims are resolved in a timely manner. (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? (W. Va. Code St. R. §114-14-6.3)

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

Examiner Recommendations: None

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

Table G3 Results: Claims Resolution Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
Claims closed w/o pmt (1 st party)	6,446	108	107	0	93	100
Claims closed w/o pmt (3 rd party)	56	56	55	0	93	100
TOTALS	15,603	349	345	0	93	100

NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.

Standard G4: The Company responds to claim correspondence in a timely manner. (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 found no exceptions to the rule.

Examiner Recommendations: None

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

Table G4 Results: Claims Correspondence Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
Claims closed w/o pmt (1 st party)	6,446	108	107	0	93	100
Claims closed w/o pmt (3 rd party)	56	56	55	0	93	100
TOTALS	15,603	349	345	0	93	100

NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.

Standard G5: Claim files are adequately documented. (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]
- Are the communications properly dated?

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 G5 Results: Claims Documentation Sample

Type	Population	Sample	Pass	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
Claims closed w/o pmt (1 st party)	6,446	108	107	0	93	100
Claims closed w/o pmt (3 rd party)	56	56	55	0	93	100

TOTALS	15,603	349	345	0	93	100
<i>NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.</i>						

Standard G6: Claims are properly handled in accordance with policy provisions and applicable statutes, rules, and regulations. (NAIC Market Regulation Handbook Chapter 16, § G Standard 6)

Test Methodology:

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

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 G6 Results: Claims Correspondence Sample

Type	Population	Sample	Pass	Fall	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
TOTALS	9,101	185	183	0	93	100
<i>NOTE: A total of two claims were not applicable. One was in the wrong population pool, and in the other, a court case was filed, rendering most standards moot.</i>						

Standard G7: Company claim forms are appropriate for the type of product. (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. (Denial letters are addressed in standard G9.)

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	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
Claims closed w/o pmt (1 st party)	6,446	108	107	0	93	100
Claims closed w/o pmt (3 rd party)	56	56	55	0	93	100
TOTALS	15,603	349	345	0	93	100

NOTE: A total of four claims were not applicable. Two were in the wrong population pools, one was a duplicate claim, and in the fourth, a court case was filed, rendering most standards moot.

Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws, (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. §114-14-3]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of that statute of limitation? [W. Va. Code St. R. §114-14-6.12]
- 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]

Examiner Observations: The company is sending an "Inactive Loss Notice" that appears to be serving as both a delay letter and a closure/denial letter. It states that if the claimant does not respond within the next 60 days, the claim file will be closed and cannot be reopened.

As a "delay letter" the claimant is given the reason the investigations remains incomplete (waiting on an estimate from the claimant).

As a closure letter, it should:

- Notify the first-party claimant of the statute of limitations (not less than thirty days before the date on which such time limit expires).
- Reference a specific policy provision, condition or exclusion. Such as: "We are denying this claim due to not complying with 4. Other Duties – Property Coverages- a. Give us proof of loss, within 60 days after our request that shows: 6) detailed estimates for repair".
- State that the claimant has the option of contacting the Commissioner's Office and provide its mailing address, telephone number, and website address.

There were seventeen (17) denied claims each falling all three aspects of the following provisions: violation of W. Va. Code St. R. §114-14-6.5 (State legal grounds for denial); §114-14-6.12 (Statute of limitations); and §114-14-6.17 (Option of contacting the Commissioner's Office).

Examiner Recommendations: It is recommended that the company comply with the following.

- W. Va. Code St. R. §114-14-6.5: State the legal grounds for the claim denial.
- W. Va. Code St. R. §114-14-6.12: Notify first-party claimant of the statute of limitations, not less than thirty days before the date on which such time limit expires.
- W. Va. Code St. R. §114-14-6.17: Provide contact information and the option to contact the Commissioner's Office.

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	Fail	Standard	Compliance
Claims closed w/o pmt (1 st party)	6,446	108	91	16	93	85
Claims closed w/o pmt (3 rd party)	56	56	54	1	93	98
TOTALS	6,502	164	145	17	93	90

NOTE: A total of two claims were not applicable. One was in the wrong population pool, while the other was a duplicate claim.

Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices. (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	Fail	Standard	Compliance
Paid claims (1 st party)	8,987	109	108	0	93	100
Paid claims (3 rd party)	114	76	75	0	93	100
TOTALS	9,101	185	183	0	93	100

NOTE: A total of two claims were not applicable. One was in the wrong population pool, and in the other, a court case was filed, rendering most standards moot.

Standard G12: Company uses the reservation of rights and excess of loss letters, when appropriate. (NAIC Market Regulation Handbook Chapter 17, § G Standard 1)

Test Methodology:

- Has the company sent a reservation of rights, when coverage is in question?
- Does the Company send an excess of loss letter when it is apparent that the loss will exceed policy limits?

Examiner Observations: The examiners found no exceptions to the rule. Claims requiring a reservation of rights letter or an excess of loss letter were referred to the Company's General Counsel. The Company issued reservation of rights and excess of loss letters where appropriate, no exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard G13: Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner. (NAIC Market Regulation Handbook Chapter 17, § G Standard 2)

Test Methodology:

- Was the deductible reimbursed to the claimant upon subrogation recovery?

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

Examiner Recommendations: None

Results: Compliant

SUMMARY OF RECOMMENDATIONS

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. If the insurer needs more than thirty (30) calendar days from the date that a proof of loss from a first party claimant or notice of claim from a third-party claimant is received 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.

Recommendation G9: It is recommended that the company comply with the following.

- W. Va. Code St. R. §114-14-6.5: State the legal grounds for the claim denial.
- W. Va. Code St. R. §114-14-6.12: Notify first-party claimant of the statute of limitations, not less than thirty days before the date on which such time limit expires.
- 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, Brad Beam, CWCP, MCM also participated in this examination.



John Stike, AIE, CPCU, MCM, CWCP, CIPA, AU, APA, AFI
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, John Stike, being duly sworn, states as follows:

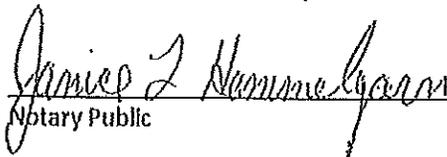
1. I have the authority to represent West Virginia in the examination of W. Va. Insurance Company.
2. I have reviewed the examination work papers and examination report, and the examination of West Virginia Insurance Company was performed in a manner consistent with the standards and procedures required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

The affiant says nothing further.



John Stike, AIE, CPCU, MCM, CWCP, CIPA, AU, APA, AFI
Examiner In Charge

Subscribed and sworn before me by John Stike on this 14 day of March 2014.



Notary Public

My commission expires March 23, 2019 (date).

