

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER  
OF THE STATE OF WEST VIRGINIA

*In the Matter of:*

**FARMERS & MECHANICS FIRE AND CASUALTY INSURANCE COMPANY**

Administrative Proceeding No. 23-IC-02063

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER ADOPTING  
REPORT OF MARKET CONDUCT EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, “Commissioner”), who, after consideration of the *Report of Market Conduct Examination* (hereinafter, the “*Examination Report*”) of Farmers & Mechanics Fire and Casualty Insurance Company (hereinafter, “Farmers & Mechanics”) for the examination period ending December 31, 2022, made the following findings of fact and conclusions of law and order.

FINDINGS OF FACT

1. The market conduct examination was a comprehensive examination focusing on standards contained in the *Market Regulation Handbook*. The examination was conducted in accordance with *W. Va. Code* §33-2-9(c) by examiners duly appointed by the Commissioner.
2. On or about November 3, 2023, the examiner filed with the Commissioner, pursuant to *W. Va. Code* §33-2-9, the *Examination Report*.
3. A true copy of the *Examination Report* was provided to Farmers & Mechanics and Farmers & Mechanics was notified, pursuant to *W. Va. Code* §33-2-9(j)(2), that it had ten (10) days after receipt of the *Examination Report* to file a submission or rebuttal with the Commissioner.

4. As set forth in the *Examination Report*, the examination focused on the methods used by Farmers & Mechanics to manage its operations for each of the areas examined, including whether and how Farmers & Mechanics complies with West Virginia's statutory and regulatory law.

5. The exam did not discover any instances where Farmers & Mechanics was non-compliant with West Virginia law.

6. The Commissioner reviewed the *Examination Report* and considered Farmers & Mechanics submissions prior to issuing these findings of fact, conclusions of law and order.

#### CONCLUSIONS OF LAW

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

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

3. The Commissioner is charged with the responsibility of verifying Farmers & Mechanics' continued compliance with West Virginia law.

4. As detailed in the *Examination Report*, with respect to the thirty (30) standards reviewed, Farmers & Mechanics was compliant with twenty-nine (29) and predominantly compliant with one (1).

ORDER

Pursuant to *W.Va. Code* §33-2-9(j)(3)(A), following the review of the *Examination Report*, the examination work papers, and Farmers & Mechanics' response thereto, it is **ORDERED** as follows:

1. The referenced and attached *Examination Report* is hereby **ADOPTED** and **APPROVED** and by this reference, incorporated herein and made a part hereof; and
2. Farmers & Mechanics shall continue to monitor its compliance with applicable West Virginia law.

Entered this 18<sup>th</sup> day of December, 2023.



Allan L. McVey  
CPCU, ARM, AAI, AAM, AIS  
Insurance Commissioner

# Report of Market Conduct Examination

As of December 31, 2022



**Farmers & Mechanics Fire and Casualty Insurance Company**  
25 Administrative Drive  
Martinsburg, West Virginia 25401

**NAIC COMPANY CODE 12611**  
**Examination Number 23-IC-02063**

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November 3, 2023

The Honorable Allan L. McVey, CPCU, ARM, AAI, AAM, AIS  
West Virginia Insurance Commissioner  
900 Pennsylvania Avenue  
Charleston, West Virginia 25302

Dear Commissioner McVey:

Pursuant to your instructions and in accordance with W.Va. Code §33-2-9, an examination has been made as of December 31, 2022 of the business affairs of:

Farmers & Mechanics Fire and Casualty Insurance Company  
25 Administrative Drive  
Martinsburg, West Virginia 25401

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

## COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

The West Virginia Office of the Insurance Commissioner (WVOIC) previously conducted a comprehensive market conduct examination of the Company as of June 30, 2018. The previous examination found the Company in compliance with all standards reviewed.

## PURPOSE AND SCOPE OF THE EXAMINATION

Market Conduct Examiners with the WVOIC reviewed certain business practices of Farmers & Mechanics Fire and Casualty Insurance Company of West Virginia. W. Va. Code §33-2-9 empowers 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 market conduct examination was to determine the Company's compliance with West Virginia laws and is part of a combined examination being performed in conjunction with our Financial Conditions Division. Separate reports will be issued accordingly. This examination is not intended to duplicate a review of the Company's Operations and Management but rather establish an understanding of the examinee and except for the standards specifically mentioned in this report, will rely on the results obtained by our Financial Conditions Division (Reference Number: 12611-WV-2022-9). The conclusions and findings of this market conduct examination are public record.

With the exception of Claims (Standard G), the examination did not include a review of the Company's Commercial Line of Business. Although the company writes both commercial and personal insurance products, priority was given to the personal lines of business.

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

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

- Operations and Management
- Complaint Handling
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims

"Company" as used herein refers to Farmers & Mechanics Fire and Casualty Insurance Company. "WVOIC" as used herein refers to the West Virginia Offices of the Insurance Commissioner. "W.Va. Code 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 fieldwork began August 15, 2023 and concluded on October 31, 2023. The entirety of the examination was performed remotely, with the Company providing examiners access to their Diamond and ImageRight systems which houses their company records, files, notes, and documentation. A total of thirty (30) standards were reviewed during this examination. Of these thirty (30) standards, the Company was compliant in twenty-nine (29) and predominantly compliant in one (1) standard (G9).

## HISTORY AND PROFILE

Farmers & Mechanics Fire & Casualty Insurance Company (FMFC) was incorporated on May 2, 2006 and commenced business on July 24, 2006 as a wholly owned subsidiary of Farmers & Mechanics Mutual Insurance Company of West Virginia (FMM).

FMFC is a single-state, WV domiciled insurer that writes business only in West Virginia. Lines of business written include Personal Automobile.

According to the NAIC 2022 Market Analysis – Market Share Report, Farmers & Mechanics Fire & Casualty Insurance Company had \$13,041,907 in premiums and a Market Share of .984% in the state of West Virginia.

## 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. This is a report by test of company compliance with selected Standards contained in the National Association of Insurance Commissioners' (NAIC) *2022 Market Regulation Handbook* (Handbook) and Standards approved by the 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.

Tests designed to measure the level of compliance with West Virginia's statutes, rules and regulations were applied to the files. Each area of the examination has specific elements that were tested and are listed below.

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



## STANDARD & REVIEW ELEMENTS

### A. Operations and Management

The operations and management portion of the examination is designed to provide a view of the Company and how it operates. As mentioned previously, this review is not intended to duplicate a review of the Company's Operations and Management being conducted by our Financial Conditions Division but rather establish an understanding of the examinee.

**Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention.** (2022 NAIC Market Regulation Handbook Chapter 20, § A Standard 7)

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

**Standard A9: The Company cooperates on a timely basis with examiners performing the examinations.** (2022 NAIC Market Regulation Handbook Chapter 20, § A Standard 9)

- Did the Company provide records and cooperate with examiners on a timely basis? [W. Va. Code §33-2-9 and W. Va. Code R. §114-15-4.9(a)]

### B. Complaint Handling

The NAIC definition of a complaint is "any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under the state's insurance laws. An oral communication, which is subsequently converted to a written form, would meet the definition of a complaint for this purpose." The complaint handling portion of the exam is designed to allow the examiner to assess the regulated entity's procedures for processing consumer or other related complaints.

**Standard B1: All complaints are recorded in the required format on the regulated entity's complaint register.** (2022 NAIC Market Regulation Handbook Chapter 20, § B Standard 1)

- Is the Company recording all complaints, both directly from the consumer as well as the Commissioner's office, in a regulated complaint register? [W. Va. Code §33-11-4(10) and W. Va. Code R. 114-15-4.6, 7 and 8]

**Standard B2: The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.** (2022 NAIC Market Regulation Handbook Chapter 20, § B Standard 2)

- Does the Company have adequate complaint handling procedures in place Per W. Va. Code §33-11-4(10)?

**Standard B4: The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.** (2022 NAIC Market Regulation Handbook Chapter 20, § B Standard 4)

- Is the Company responding to complaints within fifteen (15) Working days as required by W. Va. Code R. 114-14-5.2?

#### **D. Producer Licensing**

The producer licensing portion of the examination is designed to test the Company's compliance with state producer licensing laws and rules.

**Standard D2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.** (2022 NAIC Market Regulation Handbook Chapter 20, § D Standard 2)

- Are the producers properly appointed for business solicited in West Virginia? [W. Va. Code §33-12-3(d) and W. Va. Code §33-12-18]
- Does the Company appoint the producer within fifteen (15) days of the date the producer submits their first application to the Company? [W. Va. Code §33-12-18(b)]
- Are all applications signed by properly licensed and appointed agents? [W. Va. Code §33-12-3]
- Are the producers current with their continuing education? [W. Va. Code §33-12-8]

**Standard D3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.** (2022 NAIC Market Regulation Handbook Chapter 20, § D Standard 3)

- Does the Company notify the Commissioner's Office (on a form prescribed by the WVOIC) within thirty (30) days of terminating the producer's authority? [W. Va. Code §33-12-25 et seq.]
- 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(a)]

**Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.** (2022 NAIC Market Regulation Handbook Chapter 20, § D Standard 4)

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

**Standard D5: Records of terminated producers adequately document reasons for termination.** (2022 NAIC Market Regulation Handbook Chapter 20, § D Standard 5)

- Do company records document reason for producer termination? [W. Va. Code §33-12-25(a) & (b)]

#### **E. Policyholder Service**

The policyholder service portion of the examination is designed to test if the Company is compliant with statutes regarding notice/billing, delays/no response, premium refund, and coverage questions.

**Standard E2: Policy issuance and insured requested cancellations are timely.** (2022 NAIC Market Regulation Handbook Chapter 20, § E Standard 2)

- Was the policy issued timely?
- Were insured requested cancellations processed timely and without excessive paperwork required?

**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.** (2022 NAIC Market Regulation Handbook Chapter 20, § E Standard 7)

- Unearned premiums calculated correctly?

### **F. Underwriting and Rating**

The underwriting and rating 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.

**Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company rating plan.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 1)

- Was the premium calculated correctly? [W. Va. Code §33-20-3 & W. Va. Code §33-20-4]
- Were the Company's own underwriting guidelines followed for proper rating?

**Standard F2: All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 2)

- Were quotations reasonable and accurate?
- Were mandated disclosures provided as applicable?

**Standard F3: The Company does not permit illegal rebating, commission-cutting, or inducements.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 3)

- 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)]

**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.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 4)

- Do the Company's underwriting guidelines conform to any applicable statutes, rules and regulations? [W. Va. Code §33-11-4(7)(c)]
- Is the Company following its underwriting guidelines to ensure compliance regarding unfair discrimination?
- Any inconsistent underwriting practices?

**Standard F5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 5)

- Have all the forms and endorsements been filed with the Commissioner? [W. Va. Code §33-6-8]

**Standard F6 - Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 6) Issued policies checked under Standard E2.

- Are renewals and endorsements issued in the appropriate time frame? [W.Va. Code §33-17A-4 (c)]

**Standard F7: Rejections and declinations are not unfairly discriminatory.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 7)

- Does the Company provide valid reasons for rejection/declinations when required? [W.Va. Code §33-17A-4]
- Does the Company unfairly discriminate when rejecting or declining policies? [W.Va. Code §33-17A-6]

**Standard F8: Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions and state laws and company guidelines.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 8)

- Were company-initiated cancellations and non-renewals within applicable statutes and policy provisions? [W.Va. Code §33-17A-4 and W.Va. Code §33-17A-5]
- Does the notice contain the specific reason for Cancellation/ non-renewal? [W.Va. Code §33-17A-4]

**Standard F9: Rescissions are not made for non-material misrepresentation.** (2022 NAIC Market Regulation Handbook Chapter 20, § F Standard 9)

- 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?

**Standard F10: 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.** (2022 NAIC Market Regulation Handbook Chapter 21, § F Standard 8)

- Was the underwriting of the policy based on the information obtained at or near inception of coverage rather than after a claim was submitted? [W.Va. Code §33-11-4(7)(c)]

**Standard F13: The Company does not engage in collusive or anti-competitive underwriting practices.** (2022 NAIC Market Regulation Handbook Chapter 21, § F Standard 13)

- Is there any unlawful pricing or other prohibited anti-competitive acts or practices? [W. Va. Code §33-11-3 and W. Va. Code §33-11-4]
- Has the Company entered into any agreements with other West Virginia companies to divide the market within West Virginia by territory? [W. Va. Code §33-11-3 and W. Va. Code §33-11-4]

**Standard F16: 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.** (2022 NAIC Market Regulation Handbook Chapter 21, § F Standard 16)

- Was the policyholder given the proper advance notice for company-initiated cancellation/non-renewal? [W.Va. Code §33-17A-4]

**Standard F18: Applications or enrollment forms are properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.** (2022 NAIC Market Regulation Handbook Chapter 21, § F Standard 18)

- Are applications completed and signed where required?
- Are the files properly documented?

### **G. Claims**

This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is compliant with applicable statutes and rules.

**Standard G1: Initial contact by the Company with the claimant is within the required time frame.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 1)

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

**Standard G2: Timely investigations are conducted.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 2)

- Did the investigation commence within fifteen (15) working days of any claim filed as required by W. Va. Code § 33-11-4(9)(c) and W. Va. Code R. § 114-14-6.2.a?
- Did the investigation continue more than 30 calendar days? If so, was a notice of necessary delay sent within 15 working days after the 30 calendar days AND if the investigation continued, were subsequent notices of necessary delay sent with 45 calendar days as required by W. Va. Code R. § 114-14-6.7?

**Standard G3: Claims are resolved in a timely manner.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 3)

- Did the Company affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed as required by W. Va. Code § 33-11-4(9)(e)?

- Did the Company deny the claim or make a written offer within ten (10) working days of completing its investigation as required by W. Va. Code R. § 114-14-6.3?
- Did the Company pay any amount agreed upon within (15) working days as required by W. Va. Code R. §114-14-6.11?

**Standard G5: Claim files are adequately documented.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 5)

- 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 §33-11-4(9) et. seq, W. Va. Code R. §§ 114-14-3 & 114-15-4.4]

**Standard G6: Claims are properly handled according with policy provisions and applicable statutes, rules and regulations.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 6)

- Is the Company following the standards for prompt investigations as stated in W. Va. Code R. §114-14-6.1?
- Did the Company attempt in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear as required by W. Va. Code § 33-11-4(9)(f) and W. Va. Code R. §§ 114-14-6.4 & 6.10?
- Was coverage checked for proper application of deductible or appropriate exclusionary language as required by W. Va. Code § 33-11-4(9)(a)?
- When applicable is the claimant who is neither an attorney or represented by an attorney given written notice of that statute of limitation as required by W. Va. Code R. § 114-14-6.12?
- Does the Company ensure where liability and damages are reasonably clear, that no person recommends that third-party claimants make claim under their own policies solely to avoid paying claims under an insurer's insurance policy or insurance contract as required by W. Va. Code § 33-11-4(9)(m) and W. Va. Code R. § 114-14-6.13?
- Did the Company adopt and communicate to all its claims agents written standards for prompt investigation and processing of claims in accordance with W. Va. Code R. § 114-14-8 (effective 4/24/2006)?

**Standard G9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.** (2022 NAIC Market Regulation Handbook Chapter 20, § G Standard 9)

- Was a prompt, reasonable and objective investigation conducted prior to refusal of payment? [W. Va. Code §33-11-4(9)(d)]
- 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 §33-11-4(9)(n) and W. Va. Code R. §114-14-6.5]
- 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 R. §114-14-6.17]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [W. Va. Code R. §114-14-6.12]

## COMPLIANCE TABLE

<u>Review Section</u>	<u># Pass</u>	<u># Fail</u>	<u>Minimum Standard Compliance %</u>	<u>Compliance Result %</u>	<u>Examination Result</u>		
					Compliant	Predominantly Compliant	Non-Compliant
A7	N/A	N/A	N/A	100	X		
A9	N/A	N/A	N/A	N/A	X		
B1	1	0	90	100	X		
B2	N/A	N/A	N/A	N/A	X		
B4	1	0	90	100	X		
D2	25	0	90	90	X		
D3	322	0	90	100	X		
D4	10	0	90	100	X		
E2	25	0	90	100	X		
E7	25	0	90	100	X		
F1	25	0	90	100	X		
F2	25	0	90	100	X		
F3	25	0	90	100	X		
F4	25	0	90	100	X		
F5	25	1	90	100	X		
F6	25	0	90	100	X		
F8	25	0	90	100	X		
F9	1	0	90	100	X		
F10	25	0	90	100	X		
F13	25	0	90	100	X		
F16	25	0	90	100	X		
F18	25	0	90	100	X		
G1	50	0	93	100	X		
G2	50	0	93	100	X		
G3	50	0	93	100	X		
G5	50	0	93	100	X		
G6	50	0	93	100	X		
G9	24	1	93	96		X	

## **OBSERVATIONS**

**A7** – Records provided were adequate, accessible, consistent, orderly and comply with state record retention.

**A9** – The Company's representatives were cooperative and responded to examiners requests timely.

**B1** - The Company maintains an electronic log of complaints in accordance with the requirements of the Insurance Commissioner. The company received one (1) complaint from the WVOIC during the examination period. The Company had no internal written consumer complaints during the exam period. The Company complaint register reconciled with the Insurance Commission's register.

**B2** - The Company has adequate complaint handling procedures in place. When complaints are received, they are logged with the required information then scanned into their Image Right system and forwarded to the person responsible for responding to the complaint.

**B4** - The Company adequately documented complaints and responded to the WVOIC in a timely manner.

**D2** – The examiner confirmed producers were properly appointed by the Company when applications for new business policies were submitted.

**D3** – Notification of Termination was sent to both the WVOIC and the terminated producer. The Company did not terminate any producers for cause within the examination review period.

**D4** – Review of the Company's producer files found no evidence that company terminations resulted in unfair discrimination.

**E2** – Policies reviewed were issued and canceled timely. Most new business policies were issued within a week of submission. The majority of insured-requested cancellations were processed the same day the cancellation notice was received.

**E7** – The Company processes cancellations on a pro-rata basis. Unearned premiums were calculated correctly and returned timely to the appropriate party.

**F1** – New business policy sample was reviewed and premium issued were verified with the Company's internal rating system to determine if the Company was following their underwriting guidelines. The Company consistently followed its underwriting guidelines.

**F2** – Quotes reviewed were reasonable and accurate. Review included accuracy of producer quotations and no exceptions were found. Additions or deletions of coverage, such as adding or deleting a vehicle, changing a deductible, were accurate and the policyholder was aware of the related costs. Proper forms were used for the election of uninsured and underinsured coverage.



**F3** – Review of policy files found no evidence of illegal rebating, inducements, or unfair discrimination.

**F4** – Examiner found no evidence of unfairly discriminatory underwriting practices during new business policy review.

**F5** – Filings were made and approved by the WVOIC as required. The policy's declaration page lists the forms applicable to the policy. Applications and supporting information were reviewed in the new business underwriting files.

**F6** – The Company issued all policies, riders and endorsements accurately, completely and on a timely basis on all policies in the sample selected. Examiners found no evidence of unfair discrimination.

**F8** – Company initiated cancellations and non-renewals were reviewed for compliance. Examiners found no delays in issuing the policy cancellation and nonrenewal notices. Reasons for cancellation and nonrenewal were valid and in accordance with underwriting guidelines, policy provisions and state law. There were no discriminatory practices noted.

**F9** – The Company had one (1) policy rescission within the exam period. The policy cancelled flat due to nonpayment of premium. Examiners found no evidence of unfair discrimination.

**F10** – New business policy files were reviewed to determine if rating decisions were based on information received at inception of the policy rather than through audits or post claim. Producers use the Company online rating system to quote, bind coverage and process applications to include discounts or surcharges. No exceptions found.

**F13** – Review of new business policy files and underwriting guidelines found no evidence of unfair methods of competition or anti-competitive acts.

**F16** – Review of company initiated cancellation and non-renewals found notices were sent timely and insured requested cancellation files had proper documentation.

**F18** – New business policy files were found to contain sufficient application documentation to support the underwriting decisions.

**G1** – All claim files reviewed indicated the claimant was contacted within fifteen (15) working days (or mandated emergency order timeframe) from the date of the loss notice.

**G2** – The Company was found to be compliant with timely investigations.

**G3** – The Company affirmed or denied coverage of claims within a reasonable time after proof of loss statements had been completed, denied the claims or made a written offer within ten

(10) working days of completed investigation and made timely payments on any amounts agreed upon.

**G5** –All claim files were adequately documented.

**G6** - The Company complied with policy provisions, applicable statutes, rules and regulations under this standard.

**G9** – One (1) denied claim that required a coverage denial did not provide the insured with the required insurance commissioner’s contact information on the denial letter. In this case the loss vehicle had previously been removed from the policy prior to the date of the accident. The claim file documented where the insured was verbally told about the coverage denial and acknowledged that the vehicle was not listed as a covered vehicle at the time of the loss. This does not however, negate the requirement of informing the claimant of their option of contacting the Commissioner and the Commissioner’s contact information in the denial letter.

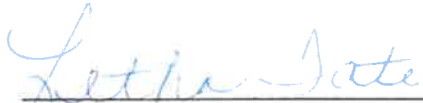
## **RECOMMENDATIONS**

**G9** – The Company should ensure that claimants are given the option of contacting the Commissioner’s Office, providing claimants with its mailing address, telephone number, and web site address as required by W. Va. Code R. § 114-14-6.17.

## EXAMINER'S SIGNATURE AND ACKNOWLEDGEMENT

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

In addition to the undersigned, Desiree Mauller CIE, CWCP, MCM, also participated in this examination.



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Letha Tate, AIE, ALMI, AIRC, MCM  
Examiner-in-Charge

**EXAMINER'S AFFIDAVIT**

**State of West Virginia**

**County of Kanawha**

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

I, Letha Tate, being duly sworn, states as follows:

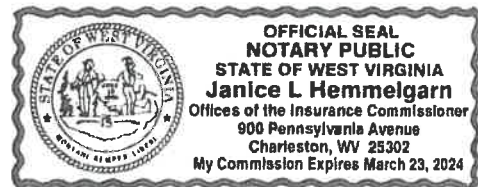
1. I have the authority to represent West Virginia in the examination of Farmers & Mechanics Fire and Casualty Insurance Company of West Virginia.
2. I have reviewed the examination work papers and examination report, and the examination of Farmers & Mechanics Fire and Casualty Insurance Company of West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

The affiant says nothing further.

Letha Tate  
Letha Tate, AIE, ALMI, AIRC, MCM Examiner-in-Charge

Subscribed and sworn before me by Letha Tate on this 3 day of NOVEMBER, 2023.

Janice L Hemmelgarn  
Notary Public



My commission expires: March 23, 2024 (date).