

BEFORE JAMES A. DODRILL, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

MUNICIPAL MUTUAL INSURANCE COMPANY

Administrative Proceeding No. 20-MC-STAT-02000

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

NOW COMES, James A. Dodrill, 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 Municipal Mutual Insurance Company (hereinafter, “Municipal Mutual”) for the examination period ending March 31, 2020, 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 and covered the period of January 1, 2018 through March 31, 2020.

2. On or about February 25, 2021, 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 Municipal Mutual and Municipal Mutual 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 Municipal Mutual to manage its operations for each of the areas examined, including whether and how Municipal Mutual complies with West Virginia's statutory and regulatory law.

5. The exam did not discover any instances where Municipal Mutual was non-compliant with West Virginia law.

6. The Commissioner reviewed the *Examination Report* and considered Municipal Mutual 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 Municipal Mutual's continued compliance with West Virginia law.

4. As detailed in the *Examination Report*, Municipal Mutual was compliant with all thirty-two (32) standards reviewed.

ORDER

Pursuant to *W.Va. Code* §33-2-9(j)(3)(A), following the review of the *Examination Report*, the examination work papers, and Municipal Mutual's 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. Municipal Mutual shall continue to monitor its compliance with applicable West Virginia law.

Entered this 15th day of April, 2021.



JAMES A. DODRILL
Insurance Commissioner
State of West Virginia

Report of Market Conduct Examination

As of March 31, 2020



Municipal Mutual Insurance Company

PO Box 310
Wellsburg, WV 26070

NAIC COMPANY CODE: 14656
Examination Number: 20-MC-STAT-02000

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February 25, 2021

The Honorable James A. Dodrill
West Virginia Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25305

Dear Commissioner Dodrill:

Pursuant to your instructions and in accordance with W.Va. Code §33-2-9, an examination has been made as of March 31, 2020 of the business affairs of

Municipal Mutual Insurance Company
PO Box 310
Wellsburg, WV 26070

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 Offices of the Insurance Commissioner (WVOIC) previously conducted a comprehensive market conduct examination of the Company as of June 30, 2013.

The June 30, 2013 examination findings included:

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

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

FOREWORD

This is a report by test of company compliance with selected Standards contained in the National Association of Insurance Commissioners’ (NAIC) *2019 Market Regulation Handbook* (“Handbook”) and Standards approved by the West Virginia Offices of the Insurance Commissioner (“WVOIC”) which are based on applicable West Virginia statutes and administrative rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

“Company” as used herein refers to Municipal Mutual 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 work began August 31, 2020 and concluded on December 26, 2020. The entirety of the examination was done remotely, with the Company having provided examiner access to both their Docfinity imaging system which houses file notes and documentation, as well as access to their BriteCore system which retains the balance of file information. A total of thirty-two (32) standards were reviewed during this examination. Of these thirty-two (32) standards, the Company was compliant with all standards.

SCOPE OF EXAMINATION

Market conduct examiners with the WVOIC reviewed certain business practices of Municipal Mutual Insurance Company as 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 basic business areas that were reviewed and tested under this examination were:

- Company Operations and Management
- Complaint Handling
- Policyholder Service
- Underwriting and Rating
- Claims

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

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 included an analysis of how the Company communicates its instructions and intentions throughout its operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities. The examination also determined whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus was 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 were tested to verify the Company is in compliance with West Virginia statutes and rules. The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or its' designee.

HISTORY AND PROFILE

Municipal Mutual Insurance Company of West Virginia was incorporated February 16, 1910 under the laws of West Virginia and commenced operations on April 1, 1910. The Company operates under the provisions of Chapter 33, Article 22 of the West Virginia Code as a Farmers' Mutual Fire Insurance Company and is currently located in Brooke County in Wellsburg, West Virginia. In 1991, the Company became authorized to write business in the states of Ohio and Pennsylvania. There were no predecessor organizations and the Company is not affiliated with or a member of a group of insurers.

The Company writes complete standard fire (dwelling, mobile homeowners, farm owners and commercial coverages), homeowners, mobile homeowners, farm owners, commercial and

dwelling OL&T. All policies are non-assessable ISO or AAIS filed programs. The Company is not a full-service company and as such does not compete in the same markets with the larger full service carriers but operates in the area of property insurance not desired by the larger full-service carriers and stresses market values over replacement values. The Company inspects all properties with the majority that have a value of \$150,000 or below.

According to the NAIC 2019 Market Analysis - Market Share Report, the Company had a market share of 2.137% and \$9,891,813 in written premium for the homeowners line of business in 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. The examiners conducted file reviews and interviews of company management. This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

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

In the results tables a “pass” response indicated compliance and a “fail” response indicates a failure to comply. The results of each test applied to a sample are reported separately. The examiners used the NAIC standards of 7% error ratio on claims tests (93% compliance rate) and 10% error ratio on all other tests (90% compliance rate) to determine whether or not an apparent pattern or practice of being compliant or non-compliant existed for any given test. Except as otherwise noted, all tests were conducted via random sample taken from a given population.

Initial sample sizes were based on the total population, utilizing the Acceptance Samples Table (AST) found in the NAIC *Market Regulation Handbook*, Chapter 17-Sampling. In some cases, due to minimal population, the total sample size was reviewed. In other instances, when review reached a specific number of files with no errors noted, review was terminated as risk of non-compliance was minimal. The actual samples and categories reviewed are reflected in the tables throughout the report.

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. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 1)

Test Methodology:

- Does the Company have an internal and external audit program to detect structural problems before they occur? [*W. Va. Code §§33-3-14 and 33-33-1*]

Examiner Observations: Company officers regularly review new business, open claims and amounts of reserves and a monthly financial report of the Company's cash balances and investment activity. The Company's financial statements are audited annually in accordance with W.Va. Code §33-3-14; the last such audit was conducted by Zeno, Pockl, Lilly and Copeland, A.C., for the year ending December 31, 2019. The Company maintains internal audit procedures of their new policy data, claim payments, commission reports and daily reconciliation protocols of policy premium payments.

Examiner Recommendations: None

Results: Compliant

Standard A3: The Company has anti-fraud initiatives in place that are reasonable calculated to detect, prosecute and prevent fraudulent insurance acts. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 3)

Test Methodology:

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

Examiner Observations: All claims are handled by the Company claim adjusters or the President of the Company. Any claims issues that may constitute fraud are reported to the Company President for further investigation. The Company President then provides a detailed report of

potential acts of fraud to their legal counsel for further discussion to determine if the incident should be paid or reported to the West Virginia Offices of the Insurance Commission Fraud Division. The Company reported no potential acts of fraud and the examiners found no potential instances of fraud in their review of claims and underwriting files.

Examiner Recommendations: None

Results: Compliant

Standard A4: The Company has a valid disaster recovery plan. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 4)

Test Methodology:

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

Examiner Observations: The Company's home office in Wellsburg, WV has a backup generator to provide power to the entire home office as well as an additional battery backup attached to all servers. The Company maintains a secondary backup internet source configured within their network. Server data files and server applications are backed up nightly via cloud services. In the event of a disaster or other hardship, Company records can be accessed remotely.

Examiner Recommendations: None

Results: Compliant

Standard A7: Records are adequate, accessible, consistent, and orderly and comply with state record retention. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 7)

Test Methodology:

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

Examiner Observations: The examiner reviewed the Company's file retention policy. Files are retained in accordance with state record retention requirements. Policy files contained all pertinent information from which to make an underwriting decision. The majority of new policies are generated electronically by Company agents via access to the Company's BriteCore system. The Company has procedures in place whereby the agent provides a hard copy or scan of the signed application for the Company. The agency office retains the original signed application.

Examiner Recommendations: None

Results: Compliant

Standard A8: The Company is licensed for the lines of business that are being written.
(2019 NAIC Market Regulation Handbook Chapter 20, § 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. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Standard A9: The Company cooperates on a timely basis with examiners performing the examinations. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 9)

Test Methodology:

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

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

Examiner Recommendations: None

Results: Compliant

Standard A12: The Company has policies and procedures to protect the privacy of non-public personal information relating to its customers, former customers, and consumers that are not customers. (2019 NAIC Market Regulation Handbook Chapter 20, § 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? [*W. Va. Code R. § 114-62*]

Examiner Observations: The Company has procedures for the protection of and privacy of applicants and policyholders.

Examiner Recommendations: None

Results: Compliant

Standard A13: The Company provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information. (2019 NAIC Market Regulation Handbook Chapter 20, § A Standard 13)

Test Methodology:

- Does the Company provide privacy notices and are they clear, conspicuous, and accurately reflect the privacy policies and practices? [W. Va. Code R. §114-57]

Examiner Observations: All policyholders are provided with a privacy notice upon each renewal. No exceptions were noted.

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. (2019 NAIC Market Regulation Handbook Chapter 20, § B Standard 1)

Test Methodology:

- Is the Company recording all complaints, 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]
- Does the Company retain the complaint records for the lesser of: the current calendar year plus five (5) calendar years; or the closing date of the period of review for the most recent examination. [W. Va. Code R. 114-15-4.2b]

Examiner Observations: The Company maintains an electronic log of complaints in accordance with the requirements of the Insurance Commissioner. The Company received fourteen (14) complaints from the WVOIC during the examination period. The Company complaint register reconciled with the Insurance Commission's register. The Company reported they had no internal written consumer complaints during the exam period. The examiners did not observe any communications from policyholders or claimants that could be construed as complaints during the policy or claim file reviews.

Examiner Recommendations: None

Results: Compliant

Table B1 Results: Complaints Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	14	14	0	14	0	90	100

Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders. (2019 NAIC Market Regulation Handbook Chapter 20, § B Standard 2)

Test Methodology:

- Does the Company have complaint procedures in place, and are they sufficient to satisfactorily handle complaints?
- Does the Company have procedures in place to track responses to complaints?

Examiner Observations: The Company has procedures in place. The Company's President reviews and responds to all complaints. The process is to begin processing complaints within twenty-four (24) hours and to provide a response within fifteen (15) working days as required by W. Va. Code 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. (2019 NAIC Market Regulation Handbook Chapter 20, § B Standard 4)

Test Methodology:

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

Examiner Observations: The Company had fourteen (14) complaints during the examination period. Each was properly documented and the Company responded to the WVOIC in a timely manner. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table B4 Results: Complaints Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	14	14	0	14	0	90	100

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. (2019 NAIC Market Regulation Handbook Chapter 20, § E Standard 2)

Test Methodology:

- Was the policy issued timely?
- Was the insured requested cancellation timely or was there any excessive paperwork required? *[no statutory requirement]*

Examiner Observations: The personal lines new business policy file sample was reviewed to determine the time required by the Company to issue policies. The date the applications were submitted and the date the policies were issued were captured. The Company issued the policies within fifteen (15) days for the entire sample tested. No exceptions were noted.

A sample of personal lines insured requested cancellations was reviewed to determine if the cancellations were timely and did not require excessive paperwork. All policies were cancelled timely. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table E2a Results: Policyholder Service Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business	4595	25	0	25	0	90	100

Table E2b Results: Policyholder Service Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines Cancelled by Insured	2541	25	0	25	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. (2019 NAIC Market Regulation Handbook Chapter 20, § E Standard 7)

Test Methodology:

- Were the unearned premiums calculated correctly?

Examiner Observations: The cancelled policy files for personal lines were reviewed to determine if the Company provided the appropriate refund amount. Company policy for both the insured requested and the Company cancellations is to cancel the policy on a pro-rata basis. The Company refunded the correct premium when applicable and refunds were issued timely. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

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. (2019 NAIC Market Regulation Handbook Chapter 20, § F Standard 1)

Test Methodology:

- Was the premium calculated correctly? [*W. Va. Code §33-11-4(7)(c)*]
- Were the underwriting guidelines followed?

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. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

The personal lines new business policy file sample was reviewed and the premiums 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. There were no exceptions.

Examiner Recommendations: None

Results: Compliant

Table F1 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Standard F2: All mandated disclosures are documented and in accordance with applicable statutes, rules, and regulations. (2019 NAIC Market Regulation Handbook Chapter 20, § F Standard 2)

Test Methodology:

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

Examiner Observations: It is necessary to provide insured's with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions. Personal lines new business was tested for concerns to include the accuracy of producer quotations, extended and supplemental coverages. Quotations were reasonable and accurate. Any rate changes were prior to issuance with notice to the producer and/or applicant or were made at renewal dates and insureds were provided adequate advance notice. New applications were reviewed with the types of coverages selected and the premium calculated using appropriate company rating materials. Coal mine subsidence coverage was offered requiring the applicant to either accept or reject by signature. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F2 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Standard F3: Company does not permit illegal rebating, commission-cutting, or inducements. (2019 NAIC Market Regulation Handbook Chapter 20, § 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 personal lines new issue policy files found no evidence of rebating or commission-cutting. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F3 Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	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. (2019 NAIC Market Regulation Handbook Chapter 20, § F Standard 4)

Test Methodology:

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

Examiner Observations: The personal lines new business file sample was reviewed to ensure underwriting information used to make decisions was not unfairly discriminatory. It was determined that the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected. The aspect of IRPM (individual risk premium modification), also known as scheduled rating, was reviewed on the commercial lines new business policy file sample. Review of the commercial lines new business policy samples confirmed surcharges were not applied to new business policies. The Company does however, apply credit adjustments on policies for applicants with security systems installed on the premises.

Examiner Recommendations: None

Results: Compliant

Table F4a Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Table F4b Results: Underwriting & Rating Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Commercial Lines New Business Policies	166	25	0	25	0	90	100

Standard F7: Rejections and declinations are not unfairly discriminatory. (2019 NAIC Market Regulation Handbook Chapter 20, § F Standard 7)

Test Methodology:

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

Examiner Observations: Farmers' mutual fire insurance companies are not subject to W.Va. Code §33-17A-6; however, they are subject to W.Va. Code §33-11-4(7)(c). The entire population of twenty-five (25) policy files in effect for less than sixty (60) days were reviewed. The examiner found no evidence of discriminatory practices. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F7 Results: Declination Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Declinations	25	25	0	25	0	90	100

Note: The population in this table includes both the personal and commercial lines of business.

Standard F8: Cancellation/non-renewal and declination notices comply with policy provisions and state laws and company guidelines. (2019 NAIC Market Regulation Handbook Chapter 20, § F Standard 8)

Test Methodology:

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

- Does the company follow their own guidelines?

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. The examiner found no evidence of discriminatory practices. No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table F8 Results: Underwriting Cancellations Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal lines policies cancelled or non-renewed by company	153	50	0	50	0	90	100
Declinations	25	25	0	25	0	90	100
TOTALS	178	75	0	75	0	90	100

Standard F9: Rescissions are not made for non-material misrepresentation. (2019 NAIC Market Regulation Handbook Chapter 20, § 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 had fifteen (15) policy rescissions within the exam period. For eight (8) policies, the insured was deceased and for seven (7) the insured moved or the property sold. Examiners found no evidence of unfair discrimination.

Examiner Recommendations: None

Results: Compliant

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. (2019 NAIC Market Regulation Handbook Chapter 21, § F Standard 8)

Test Methodology:

- Determine if the initial underwriting of a policy is based on the information obtained at or near inception of coverage rather than after a claim is submitted.

Examiner Observations: The personal lines new business policy sample 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, photographs, and underwriting checklists to supplement applications.

Examiner Recommendations: None

Results: Compliant

Table F10 Results: Underwriting Information at Inception Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Standard F11: Applications or enrollment forms are properly, accurately, and fully completed, including any required signatures, and file documentation adequately supports decisions made. (2019 NAIC Market Regulation Handbook Chapter 21, § F Standard 18)

Test Methodology:

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

Examiner Observations: The majority of personal lines new business applications are generated online via login access to the company's Britcore system. The agent provides the company a hard copy or scan of the signed application. Once submitted, company underwriters review the application and corresponding forms for accuracy. Company underwriting staff then sign and date the application signifying they have reviewed and approved the policy for issuance. All files were found to contain sufficient application documentation to support the underwriting decisions made.

Examiner Recommendations: None

Results: Compliant

Table F11 Results: Underwriting Applications Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Standard F12: The Company does not engage in collusive or anti-competitive underwriting practices. (2019 NAIC Market Regulation Handbook Chapter 21, § F Standard 13)

Test Methodology:

- Is there any unlawful pricing or other prohibited anti-competitive acts or practices? [*W. Va. Code §33-11-3*]
- 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*]

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

Examiner Recommendations: None

Results: Compliant

Table F12 Results: Underwriting Practices Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines New Business Policies	4595	25	0	25	0	90	100

Standard F13: 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. (2019 NAIC Market Regulation Handbook Chapter 21, § F Standard 16)

Test Methodology:

- Was the policyholder given the proper advance notice on a company initiated cancellation/non-renewal? [*W. Va. Code §33-22-15(c)*]

Examiner Observations: Company initiated cancellations and non-renewals were reviewed for compliance. 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(c) and the Company's policy provisions. According to policy provisions, the Company may, within the first 60 days, cancel for any reason and the Company gives at least a

ten (10) day notice. If the policy has been in effect 60 days or more, the Company may cancel for specified reasons as listed under the Policy Conditions and the Company gives at least a thirty (30) day notice. Advance cancellation notices were provided according to policy provisions on all policy files reviewed. No exceptions were found.

A sampled population of non-renewal policy files were reviewed for compliance. A representative sample of all lines of business written were included in the review. The Company gave a minimum of thirty (30) days written notice to the insured. Reasons for cancellation and nonrenewal were valid and in accordance with underwriting guidelines, policy provisions and state law. There were no discriminatory practices noted.

Examiner Recommendations: None

Results: Compliant

Table F13 Results: Underwriting Notices of Cancellation Sample

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Personal Lines Company Cancellations	212	25	0	25	0	90	100
Non-Renewals	153	50	0	50	0	90	100
TOTALS	290	75	0	75	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. (2019 NAIC Market Regulation Handbook Chapter 20, § G Standard 1)

Test Methodology:

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

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G1a Results: Claims Initial Contact Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Pay Claims	1000	30	30	0	0	93	100
Commercial Lines Closed w/o Pay Claims	20	20	17	3	0	93	100
TOTALS	3213	102	97	5	0	93	100

Standard G2: Timely investigations are conducted. (2019 NAIC Market Regulation Handbook Chapter 20, § G Standard 2)

Test Methodology:

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

Examiner Observations: The examiners reviewed paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G2 Results: Claims Timely Investigated Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Pay Claims	1000	30	30	0	0	93	100
Commercial Lines	20	20	17	3	0	93	100

Closed w/o Pay Claims							
TOTALS	3213	102	97	5	0	93	100

Standard G3: Claims are resolved in a timely manner. (2019 NAIC Market Regulation Handbook Chapter 20, § G Standard 3)

Test Methodology:

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

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G3a Results: Claims Resolution Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Payment Claims	1000	30	30	0	0	93	100
Commercial Lines Closed w/o Payment Claims	20	20	17	3	0	93	100
TOTALS	3213	102	97	5	0	93	100

Standard G4: The Company responds to claim correspondence in a timely manner. (2019 NAIC Market Regulation Handbook Chapter 20, § 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 §33-11-4(9)(b) and W. Va. Code R. §114-14-5*]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G4a Results: Claims Correspondence Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Payment Claims	1000	30	30	0	0	93	100
Commercial Lines Closed w/o Payment Claims	20	20	17	3	0	93	100
TOTALS	3213	102	97	5	0	93	100

Standard G5: Claim files are adequately documented. (2019 NAIC Market Regulation Handbook Chapter 20, § 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 §33-11-4(9) et. seq. and W. Va. Code R. §114-14-3*]

Examiner Observations: The examiners reviewed a sample of paid claims and closed without payment claims. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G5a Results: Claims Documentation Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Payment	1000	30	30	0	0	93	100

Claims							
Commercial Lines Closed w/o Payment Claims	20	20	17	3	0	93	100
TOTALS	3213	102	97	5	0	93	100

Standard G7: Company claim forms are appropriate for the type of product. (2019 NAIC Market Regulation Handbook Chapter 20, § G Standard 7)

Test Methodology:

- Are the Company claim forms appropriate?

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

Examiner Recommendations: None

Results: Compliant

Table G7a Results: Claims Proper Forms Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
Personal Lines Closed w/o Payment Claims	1000	30	30	0	0	93	100
Commercial Lines Closed w/o Payment Claims	20	20	17	3	0	93	100
TOTALS	3213	102	97	5	0	93	100

Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws. (2019 NAIC Market Regulation Handbook Chapter 20, § 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 R. §114-14-6.5, rule defining W. Va. Code §33-11-4(9)(n)*]

- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [W. Va. Code R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10]
- Is the claimant given the option of contacting the Commissioner’s Office and provided with its mailing address, telephone number, and website address? [W. Va. Code R. §114-14-6.17, rule by authority of W. Va. Code §33-2-10]

Examiner Observations: The examiners reviewed a sample of closed without payment. No exceptions were found.

Examiner Recommendations: None

Results: Compliant

Table G9a Results: Claims Denied or Closed Without Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Closed w/o Payment Claims	2166	30	30	0	0	93	100
Commercial Lines Closed w/o Payment Claims	20	20	17	3	0	93	100
TOTALS	2186	50	57	3	0	93	100

Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices. (2019 NAIC Market Regulation Handbook Chapter 20, § 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: No exceptions were noted.

Examiner Recommendations: None

Results: Compliant

Table G10a Results: Claims Payment Sample

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Personal Lines Paid Claims	2166	25	25	0	0	93	100
Commercial Lines Paid Claims	27	27	25	2	0	93	100
TOTALS	2193	52	50	2	0	93	100

SUMMARY OF RECOMMENDATIONS

A formal list of examiner recommendations has been deemed unnecessary as there were no standards of non-compliance found during the examination.

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.

Letha G. Tate, AIE, AIRC, ALMI, MCM

Letha G. Tate, AIE, AIRC, ALMI, 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 G. Tate, being duly sworn, states as follows:

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

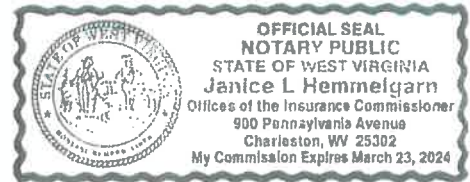
The affiant says nothing further.

Letha G. Tate, AIE, AIRC, ALMI, MCM
Letha G. Tate, AIE, AIRC ALMI, MCM
Examiner in Charge

Subscribed and sworn before me by Letha G. Tate on this 25 day of Feb, 2021.

Janice L Hemmelgarn

Notary Public



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