

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

In the Matter of:

WEST VIRGINIA FARMERS MUTUAL INSURANCE ASSOCIATION

Administrative Proceeding No. 21-IC-02048

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER ADOPTING
REPORT OF MARKET CONDUCT COMPLIANCE EXAMINATION
AND DIRECTING CORRECTIVE ACTION AND ASSESSING A PENALTY

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 West Virginia Farmers Mutual Insurance Association (hereinafter, “Farmers”) for the examination period ending March 31, 2021, 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

2. On or about April 20, 2022, 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 and Farmers 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 to manage its operations for each of the areas examined, including whether and how Farmers complies with West Virginia's statutory and regulatory law.

5. The exam discovered one (1) area where Farmers was non-compliant with West Virginia law.

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

4. Farmers was compliant with twenty (20) areas reviewed, non-compliant with one (1) area reviewed, and predominantly compliant with one (1) area reviewed.

5. As detailed in the *Examination Report*, Farmers failed to comply with provisions of West Virginia law as follows:

- The company did not comply with W.Va. Code R. §114-14-6.17 in five (5) instances when it failed to include the Commissioner's contact information in its denial letters.

6. The Commissioner has determined that Farmers should be assessed a penalty for violating the aforementioned rule.

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' 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;

2. Farmers shall endeavor to comply with the recommendations contained in the *Examination Report*;

3. Farmers shall continue to monitor its compliance with applicable West Virginia law.

4. Farmers shall specifically cure the violations and deficiencies identified in the *Examination Report* so as to bring itself into compliance and conformity with West Virginia law, as set forth hereinabove, to the extent such has not already been completed and/or accomplished;

5. Farmers shall file a Corrective Action Plan (CAP), subject to the approval of the Commissioner, which said CAP shall detail Farmers' changes to its procedures and/or internal policies to ensure compliance with West Virginia law and shall further incorporate all recommendations of the Commissioner's examiners and address all violations specifically cited in the *Examination Report*;

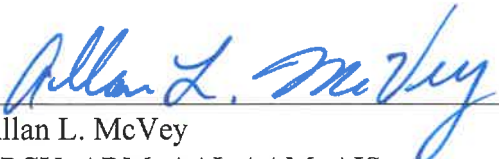
6. The CAP shall be submitted to the Commissioner for his approval within 30 days of the date this order is entered;

7. Farmers shall make reasonable changes to the CAP if and as directed by the Commissioner within 30 days of its receipt of the Commissioner's changes to, or disapproval of, the CAP;

8. Farmers shall, within 90 days of its receipt of notice from the Commissioner of his final approval thereof, implement the CAP; and

9. Farmers shall pay an administrative penalty in the amount of One-Thousand Dollars (\$1,000.00) for its non-compliance with West Virginia law as set forth hereinabove, the assessment of which penalty is in lieu of any other regulatory penalty and shall be remitted within 30 calendar days of the date this order is entered.

Entered this 15th day of June, 2022.


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

Report of Market Conduct Examination

As of March 31, 2021



West Virginia Farmers Mutual Insurance Association

1 Insurance Square
Celina, OH 45822-1690

NAIC COMPANY CODE 15431
Examination Number 21-IC-02048

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April 20, 2022

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 March 31, 2021 of the business affairs of:

West Virginia Farmers Mutual Insurance Association
1 Insurance Square
Celina, OH 45822-1690

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, 2009.

The June 30, 2009, examination findings included:

- Standard G9: Six (6) claim denial letters did not include the Commissioners’ contact information which is required by W.Va. Code R. §114-14-6.17.

In 2011, to comply with the previous recommendation for Standard G9, the Company implemented the use of a state specific denial letter for West Virginia denied claims, which contain the required the language and contact information for the WVOIC. However, issues were found during the review of Standard G9 wherein five (5) claim denial letters reviewed did not include the contact information for the WVOIC.

PURPOSE AND SCOPE OF THE EXAMINATION

Market Conduct Examiners with the WVOIC reviewed certain business practices of West Virginia Farmers Mutual Insurance Association. 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 regulations 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 Numbers: 15431-WV-2019-8). The conclusions and findings of this market conduct examination are public record.

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 WVOIC 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

“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 November 22, 2021, and concluded on March 04, 2022. The entirety of the examination was performed remotely, with the Company providing examiners access to all requested files and to its DocWorker and HCL systems used to house renewal and claim file information. A total of twenty-three (23) standards were reviewed during this examination. Of these twenty-three (23) standards; one (1) standard (B1) was not applicable, twenty (20) standards were compliant, one (1) standard (G2) was predominantly compliant, and one (1) standard (G9) was non-compliant.

The major areas of concern are listed below:

- Standard G2: The Company was found to be predominantly compliant with timely investigations. The examiner observed two (2) separate denied claims where the adjuster missed sending out investigation delay letters required by W. Va. Code R § 114-14-6.7.
- Standard G9: Five (5) denied claims did not state the claimant's option of contacting the Commissioner and the Commissioners' contact information as required by W.Va. Code R. §114-14-6.17.

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.

HISTORY AND PROFILE

The Company was incorporated as Harrison County Farmers' Mutual Fire Association of West Virginia, under the laws of West Virginia, on March 29, 1909, as a mutual assessment company and commenced writing business on the same date. Its original purpose was to help local farmers recover from property losses.

In 1961, the Bylaws were amended to make the Company a perpetual mutual. In 1978 the Company entered into a management agreement with the Celina Insurance Group. The name of the Company was changed to West Virginia Farmers Mutual Insurance Association on January 17, 1991, to reflect a broader area of operation.

The Company is presently licensed to transact business as defined in W. Va. Code §33-22-8. The Company is affiliated with, and is a member of, the Celina Insurance Group, headquartered in Celina Ohio. The other members of the Celina Insurance Group are:

The National Mutual Insurance Company
The Celina Mutual Insurance Company
Miami Mutual Insurance Company

According to the National Association of Insurance Commissioners ("NAIC") 2021 Market Analysis – Market Share Report, the Company had \$3,941,889 in direct written premiums and a Market Share of 21.394% in the state of West Virginia for the Farmowners Multiple Peril line of business, and \$249,441 in direct written premiums and a Market Share of 0.348% in the state of West Virginia for the Fire line of business.

METHODOLOGY

The examination was conducted in accordance with the standards and procedures established by the NAIC and West Virginia's applicable statutes and regulations. This is a report by test of company compliance with selected Standards contained in the *NAIC's 2020 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 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 requirements. (2020 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 regulated entity cooperates on a timely basis with examiners performing the examinations. (2020 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. (2020 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. (2020 NAIC Market Regulation Handbook Chapter 20, § B Standard 2)

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

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 D1: Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with department of insurance records. (2020 NAIC Market Regulation Handbook Chapter 20, § D Standard 1)

- Are the Company's producer licensing/ appointment records maintained according to W.Va. Code R. §114-15-4.5?
- Do the Company's producer appointment records agree with the WVOIC records?

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. (2020 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]

Standard D3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable. (2020 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. (2020 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. (2020 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 statues regarding notice/billing, delays/no response, premium refund, and coverage questions.

Standard E1: Premium notices and billing notices are sent out with an adequate amount of advance notice. (2020 NAIC Market Regulation Handbook Chapter 20, § E Standard 1)

- Were renewal billing notices sent out in accordance with company guidelines?
- Were premium notices sent out for endorsement timely, not at policy expiration?

Standard E2: Policy issuance and insured requested cancellations are timely. (2020 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. (2020 NAIC Market Regulation Handbook Chapter 20, § E Standard 7)

- Are 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 statues, rules and regulations.

Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 1)

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

- Were the Company's own underwriting guidelines followed for proper rating?
Note: Farmers Mutual Fire Insurance Companies are not required to file rates with the Commissioner's Office; however, rates should not be unfairly discriminatory. Deviations from established rating plans could indicate a company is engaged in unfair competitive practices.

Standard F4: The regulated entity's underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules and regulations, and regulated entity guidelines in the selection of risks. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 4)

- Are the Company's underwriting guidelines unfairly discriminatory in nature? Or do they conform to 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. (2020 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 and W. Va. Code §33-22-7(a)]

Standard F6 - Policies, contracts, riders, amendments and endorsements are issued or renewed accurately, timely and completely. (2020 NAIC Market Regulation Handbook Chapter 20, § F Standard 6) *Policy issuance reviewed under Standard E2.*

- Are renewals and endorsements issued in the appropriate time frame, following the Company's procedures?
Note: Farmers Mutual Fire Insurance Companies are not subject to W.Va. Code §33-17A-4 (c); however, they are subject to W.Va. Code §33-11-4. Consistently following company procedures is the fundamental technique used to avoid unfair trade practices.

Standard F8: Cancellation/non-renewal, discontinuance and declination notices comply with policy and contract provisions, state laws and company guidelines. (2020 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 §33-22-15]
- Was written cancellation notice given to the policyholder? [W.Va. Code §33-22-14]

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 regulated entity with the claimant is within the required time frame. (2020 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. (2020 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. (2020 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 an 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 out 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. (2020 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. (2020 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?

Standard G9: Denied and closed without payment claims are handled in accordance with policy provisions and state law. (2020 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>		
					<u>Compliant</u>	<u>Predominantly Compliant</u>	<u>Non-Compliant</u>
A7	Pass	N/A	N/A	N/A	X		
A9	Pass	N/A	N/A	N/A	X		
B1	N/A	N/A	N/A	N/A	N/A		
B2	Pass	N/A	N/A	N/A	X		
D1	Pass	N/A	N/A	N/A	X		
D2	25	0	90	100	X		
D3	24	0	90	100	X		
D4	24	0	90	100	X		
D5	24	0	90	100	X		
E1	50	0	90	100	X		
E2	41	0	90	100	X		
E7	9	0	90	100	X		
F1	25	0	90	100	X		
F4	25	0	90	100	X		
F5	22	0	90	100	X		
F6	50	0	90	100	X		
F8	18	0	90	100	X		
G1	50	0	93	100	X		
G2	48	2	93	96		X	
G3	39	0	93	100	X		
G5	50	0	93	100	X		
G6	25	0	93	100	X		
G9	9	5	93	64.3			X

OBSERVATIONS

A7 – All records reviewed were adequate, accessible, consistent, orderly, and comply with state record retention. One (1) New Business application reviewed by the examiner was not signed by the agent or the insured. The Company's procedure for new business submission is as follows: *When the Agent is utilizing electronic transmission of data, the agent is required to maintain all relevant documents in a safe and secure manner and in a format which is capable of duplication to hard copy upon company request.*

A9 –The Director of Compliance answered all questions and orchestrated the systems access and training needed for the examiner to perform the review. Both the Company's Compliance Supervisor and their Sr. Director of Claims conducted conferences calls with the Examiner to demonstrate how to navigate the Company's systems used to house renewal and claim file information. The Farm Staff Underwriter and Support Supervisor gave the examiner a high-level overview of the underwriting guidelines/procedures, underwriting manuals, and aided the examiner in the process of manually rating policies. All company representatives were cooperative and responded to the examiner's requests timely and accurately.

B1- No direct or indirect complaints were received during the scope of the exam period. Based on Company procedures, the Company will maintain a complaint log for both direct and indirect complaints in accordance with the requirements of the Insurance Commissioner.

B2 - The Company has adequate complaint handling procedures in place. The Company's complaint handling procedures are as follows: complaints are logged with the required information and handled by the appropriate manager for review and response within the allotted time. Formal complaints are kept in their entirety in the Complaint Log Community, informal complaints are kept in the policy file or claim file.

D1 – Producer records reviewed were adequately maintained and reconciled with WVOIC records.

D2 – All new business applications reviewed were submitted by producers who were properly appointed by the Company.

D3 – Notification of Termination was sent to both the WVOIC and the terminated producer.

D4 – While reviewing the Company's terminated producer files, examiner found no evidence that company terminations resulted in unfair discrimination. Most terminations were due to agents leaving the agency.

D5 – Terminated producer records reviewed had adequate documentation showing the reason for termination. No producers were terminated for cause.

E1 – Policies reviewed had premium/billing notices sent out via the Company's procedures with adequate amount of advance notice.

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

E7 – Company procedure is to process cancellations on a pro-rata basis. Unearned premiums were calculated correctly and returned timely to the appropriate party.

F1 – The Company is following its underwriting guidelines when calculating premiums.

F4 – Examiner found no evidence of unfair discrimination in the underwriting practices during the new business policy review.

F5 – Policy forms and endorsements reviewed were filed with and approved by the WVOIC.

F6 – The Company sent out renewals and endorsements timely and accurately per the Company's procedures.

F8 – The Company sent out written notice of cancellation and non-renewal at least five (5) days prior to the effective date. Although the Company was not required to document a valid reason for cancellation, as it is not subject to W. Va. Code §33-17A-4, the reason for cancellation was provided and none were found to be unfairly discriminatory (W Va. Code §33-11-4(7)(c)). The examiner also observed cancellation notices are not sent out for insured requested cancellations unless the cancellation causes an earned or unearned premium.

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. Most had telephone contact the same day notice was received.

G2 – The Company was found to be predominantly compliant with timely investigations and most investigations began the same day the Company was notified of the loss. W. Va. Code R § 114-14-6.7 requires investigation delay letters to be sent for all claims requiring more than thirty (30) days to investigate after any initial notice of loss is received, regardless of whether the Company requested additional proof of loss. *W. Va. Code R § 114-14-2.11 defines claim as any communication by a claimant to an insurer or its agent which reasonably apprises the insurer or agent of an occurrence which might give rise to liability under a policy or contract of insurance.* The examiner observed two (2) separate denied claims where the adjuster missed sending out required investigation delay letters.

G3 – The Company made all offers or denials to claimants within ten (10) working days of completing the investigation and settlements were paid out within fifteen (15) working days. There were no payment delays observed for dwelling coverage settlements requiring additional information from the claimant for contents coverage settlement. Payments were made timely; most checks were sent out the same day.

G5 – During the review, the examiner observed two (2) claims that were Closed Without Payment due to the insured being unresponsive. In both instances, notice was sent to the insured prior to closure of the claim. All claim files reviewed were adequately documented and consisted of notes and work papers pertaining to the claim in such detail that pertinent events and dates could be reconstructed.

G6 - The Company complied with policy provisions, applicable statutes, rules, and regulations under this standard. Investigations were prompt and thorough, and settlements offered were fair and within policy limits and policy provisions.

G9 – Reasonable investigations were conducted prior to claims being denied and all denied claims gave a reasonable basis for the denial that was in accordance with specific policy provisions. Five (5) denied claim notices omitted the claimant’s option of contacting the Commissioner and the Commissioner’s contact information as required for all claim denial notices.

RECOMMENDATIONS

A7 - The Company should continue to perform agency audits to ensure compliance with company procedure which requires the agency to maintain all relevant documents in a safe and secure manner and in a format which is capable of duplication to hard copy upon request.

F8 - Although not considered a violation, for consistency purposes, the Company should update its cancellation notice procedure to include mailing cancellation notices out for all insured-requested cancellations, not just when the cancellation causes an earned or unearned premium.

G2 – The Company should send an investigation delay letter for all claims requiring more than thirty (30) days to investigate after any initial notice of loss is received, regardless of whether the Company requested additional proof of loss.

G5 - West Virginia Informational Letter No. 189 provides clarity for notice of necessary delay letter(s). As noted in the Informational Letter, it is recommended for the Company to clearly document in the claim file periods of noncompliance by the claimant and ensure clear notice is given to the claimant, or their legal representative, that in the absence of further evidence submitted, a claim decision will be rendered. Otherwise, if any component of the claim is still being actively investigated, notice of necessary delay letters(s) should be provided to the claimant and clearly discuss any and all components that remain outstanding in the investigation.

G9 – It is essential the Company ensure all denied claim notices include the required information for the claimant’s option of contacting the Commissioner’s office and the Commissioner’s pertinent contact information as required by West Virginia statute.

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, Jean E. Tincher, APIR, MCM with the WVOIC also participated in this examination.



Jessca Lynch, CFE, 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, Jessica Lynch, being duly sworn, states as follows:

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

The affiant says nothing further.

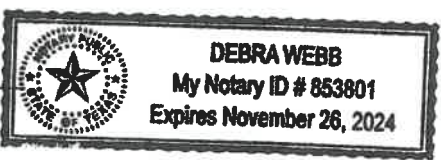


Jessica Lynch, CFE, MCM
Examiner-in-Charge

Subscribed and sworn before me by Jessica Lynch on this 27th day of APRIL, 2022.



Notary Public



My commission expires: 11-26-2024 (date).