

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

**IN RE: WEST VIRGINIA NATIONAL AUTO INSURANCE COMPANY
NAIC# 10911**

Administrative Proceeding No.: 19-AP-FINCON-02015

**AGREED ORDER ADOPTING REPORT OF LIMITED SCOPE FINANCIAL
EXAMINATION AND DIRECTING ACTION**

COMES NOW James A. Dodrill, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the REPORT OF LIMITED SCOPE FINANCIAL EXAMINATION as of April 30, 2019, of WEST VIRGINIA NATIONAL AUTO INSURANCE COMPANY (hereinafter referred to as “Company”) based upon the following findings, to wit:

JURISDICTION

1. James A. Dodrill is the Insurance Commissioner of the State of West Virginia (hereinafter the “Insurance Commissioner”) and is charged with the duty of administering and enforcing the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.
2. The Company is a stock insurance company owned by its parent, WVA National Company, LLC. The Company is organized pursuant to provisions of Chapter 33 of the West Virginia Code.
3. The Company began operations on June 1, 1998 and is a Property & Casualty carrier domiciled in the state of West Virginia. The Company was incorporated on April 29, 1998 by a group of investors who formed WVA National Company, LLC (WVALLC), the parent company, in 1997 with the sole purpose of forming a wholly owned licensed insurance stock company subsidiary. The Company commenced business on June 1, 1998 and wrote non-standard auto

exclusively.

4. The Company was approved to write Fire policies in 2004 in West Virginia (WV) but did not begin to offer Fire policies until 2007. Due to the unprofitability of this line of business, the Company sold the entire block of business to Inland Mutual Insurance Company in 2012.

5. The Company expanded their operations into the state of Virginia in 2010, writing private passenger auto liability and auto physical damage. The Company exhibited rapid growth soon after the expansion. However, due to inadequate rates and poor agency management, with adverse selection, the expansion into Virginia became unprofitable. The Company was unable to recover through rate increases and fell below the Virginia required surplus amounts, resulting in the Company voluntarily surrendering its license to do business in the state of Virginia in February of 2016.

FINDINGS OF FACT

1. A limited scope examination of the financial condition and operational affairs of the Company for period beginning October 1, 2018 and ending April 30, 2019, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On November 6, 2019, the examiner filed a Report of Limited Scope Financial Examination with the Insurance Commissioner pursuant to W.Va. Code § 33-2-9(j)(2). A copy of the Report of Limited Scope Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

3. On or about November 8, 2019, a true and accurate copy of the Report of Limited Scope Financial Examination was mailed to James W. Buchanan, Jr., via certified mail. A copy of the Letter dated November 8, 2019, is attached hereto as Exhibit B.

4. Pursuant to W.Va. Code § 33-2-9(j)(2), the Company was notified and afforded a period of thirty (30) days after receipt of the Report of Limited Scope Financial Examination within which to make a submission, rebuttal, or objection concerning any matter contained in the report.

5. By letter dated November 21, 2019, management of the Company indicated that they had reviewed the Report of Limited Scope Financial Examination and concurred with the findings of the examination. A copy of the Company's letter of November 21, 2019, is attached hereto as Exhibit C.

CONCLUSIONS OF LAW

1. W.Va. Code § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Limited Scope Financial Examination under oath and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Limited Scope Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity of not more than thirty (30) days to make a written submission or rebuttal.

2. W.Va. Code § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Limited Scope Financial Examination, together with any written submissions or rebuttals and shall enter an ORDER adopting the Report of Limited Scope Financial Examination as filed or with modifications or corrections, enter an ORDER rejecting the Report of Limited Scope Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

ORDER

It is therefore AGREED by the Parties and ORDERED the following:

1. That the Report of Limited Scope Financial Examination of the Company, attached hereto as Exhibit A, is hereby ADOPTED and APPROVED by the Insurance Commissioner.

2. That a copy of this Agreed Order Adopting Report of Limited Scope Financial Examination and Directing Action and the Report of Limited Scope Financial Examination shall be mailed to the Company via certified mail, return receipt requested upon entry by the Insurance Commissioner.

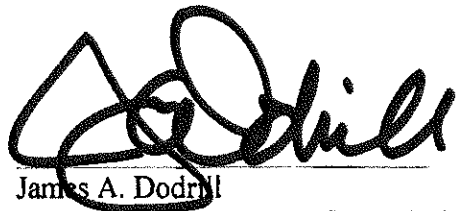
3. That the Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Agreed Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Limited Scope Financial Examination and a copy of this Agreed Order Adopting Report of Limited Scope Financial Examination and Directing Action in accordance with W.Va. Code § 33-2-9(j)(4).

4. That the Company take whatever actions are required to comply with the recommendations set forth in the Report of Limited Scope Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

5. That the Company waives any right to any notice, administrative hearing or appeal therefrom for the actions taken by the Insurance Commissioner herein this Agreed Order Adopting Report of Limited Scope Financial Examination and Directing Action. The Company reserves its rights to notice, administrative hearing or appeal for any future enforcement actions taken by the Commissioner that might result from this Agreed Order, if any.

6. That this matter be dismissed from the administrative docket of the Insurance Commissioner.


Entered this 17th day of December, 2019.



James A. Dodrill
West Virginia Insurance Commissioner

THE PARTIES DO SO AGREE:

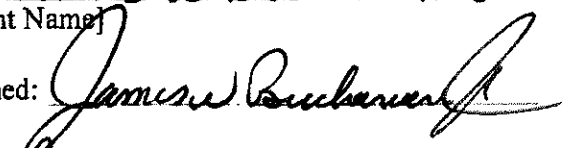
OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: 
Gregory A. Elam, Associate General Counsel

Date: 12/11/2019

WEST VIRGINIA NATIONAL AUTO INSURANCE COMPANY

BY: JAMES W BUCHANAN JR.
[Print Name]

Signed: 

Its: President / CEO

Dated: 12/10/19

REPORT OF LIMITED SCOPE EXAMINATION
OF
WEST VIRGINIA NATIONAL AUTO INSURANCE COMPANY
MORGANTOWN, WV
NAIC #10911

FOR THE PERIOD OF OCTOBER 1, 2018 THROUGH APRIL 30, 2019

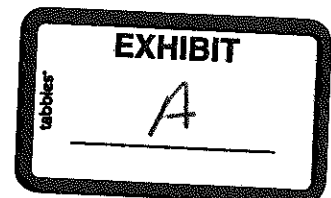


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November 6, 2019

Honorable James A. Dodrill
Commissioner
West Virginia Offices of the Insurance Commissioner
P.O. Box 50540
Charleston, West Virginia 25305-0540

Dear Commissioner Dodrill:

Pursuant to your instructions and in accordance with the provisions of Chapter 33, Article 2, Section 9, of the West Virginia Code (§33-2-9 W. Va. Code) a limited scope Financial and Market Conduct Examination has been made of the financial and market conduct affairs of

WEST VIRGINIA NATIONAL AUTO INSURANCE COMPANY

The Examination was conducted remotely with access to the Company's financial records and transactional claims and underwriting system.

The following report thereon is respectfully submitted.

FOREWORD

The WVOIC retained Risk & Regulatory Consulting, LLC ("RRC" or "Examiners") to perform a full scope examination as of December 31, 2017 of WVNAIC commencing on May 2018 with a report issued on November 9, 2018. As a result of the examination it was recommended that a limited scope examination be performed in approximately six months' time to review findings and concerns noted in the full scope examination as follows:

1. The President and CEO of the Company, James Buchanan had pledged his interest in the Company (approximately 75.2%) as collateral for a Promissory Note entered into with the Milan Puskar Revocable Trust for which he had purchased the shares from. The Promissory Note, in the amount of \$2.6 million plus interest is due and payable in full on April 29, 2020. As the Company was at the authorized control level and Mr. Buchanan's own net worth would not cover the Promissory Note, the full-scope examination found a potential going concern of the company. The Milan Puskar Revocable Trust was asked to provide a written statement on whether it would grant Mr. Buchanan an extension on the Note. The response was that it would not be discussed until April 2019, at which time they wanted to see improvement with the Company.
2. It came to the WVOIC's and Examiner's attention in the last quarter of 2018 that WVNAIC's reinsurer, Maiden Re, who had just merged with another company, would no longer reinsure auto lines of business. As the Company pushed back on increasing the quota share percentage on their reinsurance coverage already in place there was concern that the Company may decide to go without reinsurance coverage altogether.
3. During testing of underwriting attributes on written premium policies, it was found the Company insured a policyholder that did not have a valid driver's license. This was against the Company's underwriting policies. During discussions with the Company regarding the finding the Company stated it had fixed the issue by programming the software to automatically reject a policy without at least one licensed policyholder, therefore, ensuring that an agent would no longer be able to bind a policy with no licensed drivers.
4. The Company was found to be non-compliant with SSAP No. 53, as it employed a practice whereby earned premium was recognized in the current year, if payment was received for a prior year earned premium. The Company's practice was to reverse the earned premium recorded at the time of cancellation for nonpayment of premium to the effective date of cancellation. However, if the policyholder applied for insurance coverage again in another period the past due premium on the prior coverage had to be paid before the new coverage would begin. Upon receipt of the prior year premium, the Company recognized it as premium earned in the current period, which is in violation of SSAP No 53.
5. In an effort to stabilize premium revenues, the Company decided to start using credit scoring as a way to establish rates charged. As the Company did not have any experience with this type of underwriting, it was unknown if the decision would increase or decrease business and if the Company would apply reasonable underwriting standards.

A tailored examination approach was developed using the guidance and standards of the 2018 NAIC Market Regulation Handbook, (the "Handbook") and the 2019 NAIC Financial Condition Examiners Handbook ("FCEH"), the examination standards of the WVOIC and the State of West Virginia's insurance laws, regulations and bulletins (WV Code). All procedures were performed under the supervision of the financial and market conduct examination staff of the WVOIC.

The form of this examination report ("Report") is a "Report by Exception," as described in Chapter 19, Section A of the Handbook.

RRC personnel participated in this Examination in their capacity as financial and market conduct examiners. RRC provides no representations regarding questions of legal interpretation or opinion. Determination of findings constituting violations or apparent violations is the sole responsibility of the WVOIC. All statutory citations or any other legal interpretations included herein are provided by the WVOIC. The Examiners relied upon records provided by the Company for this Report.

SCOPE OF EXAMINATION

This limited scope Financial and Market Conduct Examination of the West Virginia National Auto Insurance Company was authorized and conducted pursuant to the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code. (§ 33-2-9 W. Va. Code)

The Examination period is October 1, 2018 through April 30, 2019 and subsequent events limited to the Milan Puskar Trust meeting.

The scope of the financial examination included:

- Promissory Note and status update from the Milan Puskar Trust meeting;
- Compliance with SSAP No. 53;
- Reinsurance Retention and impact on capital and surplus.

The scope of the market conduct examination included:

- Underwriting Policy Guidelines, unlicensed drivers;
- Underwriting/Rating using credit score tier rates are in compliance with West Virginia laws, regulations and bulletins (WV Code).

This Report describes the scope of the Examination, the procedures performed in these operational areas and findings as a result of those procedures.

To accomplish the objectives of the financial examination, Examiners requested a current letter from the Milan Puskar Revocable Trust, selected a random sample of premium receipts from renewed business to test for compliance with SSAP No. 53. Examiners reviewed the Company's current reinsurance agreements for possible retention percentages that may have an adverse impact on capital and surplus and compliance with the NAIC FCEH, Exhibit N.

To accomplish the objectives of the Market Conduct Examination, the Examiners reviewed the Company's underwriting guidelines and rating rules. The Examiners also judgmentally selected 10 policies from a random sample of 115 private passenger automobile policies issued by the Company during the Period, and reviewed the Company's use of rates, including credit score-based rating factors, for compliance with the WV Code.

The WVOIC considers a "finding" to be a violation of the WV Code. An "observation" is defined as a departure from an industry best practice or the Company's own written procedures. The WVOIC recommends that Company management evaluate any "finding" or "observation" for applicability to other jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify unacceptable or non-compliant business practices does not constitute acceptance of such practices. When applicable, corrective actions should be taken in all jurisdictions. The Company shall report to the WVOIC any such corrective actions taken.

COMPANY PROFILE

WVNAIC was incorporated on April 29, 1998 by a group of investors who formed WVA National Company, LLC (WVALLC), the parent company, in 1997 with the sole purpose of forming a wholly owned licensed insurance stock company subsidiary. The Company commenced business on June 1, 1998 and wrote non-standard auto exclusively.

Milan Puskar, former majority shareholder, transferred his ownership interest in WVALLC and its subsidiaries to James Buchanan, Jr. through the execution of a Sales Agreement between James Buchanan, Jr. and the Milan Puskar Revocable Trust. The sales agreement was executed on April 29, 2011 with a Promissory Note between Mr. Buchanan and the Milan Puskar Revocable Trust. The execution of the Sales Agreement and Promissory Note resulted in James Buchanan, Jr. becoming majority shareholder of WVALLC holding a 75.2% voting interest. The remaining voting interests are held by various other investors.

The Company was approved to write Fire policies in 2004 in West Virginia (WV) but did not begin to offer Fire policies until 2007. Due to the unprofitability of this line of business, the Company sold the entire block of business to Inland Mutual Insurance Company in 2012.

The Company expanded their operations into the state of Virginia in 2010, writing private passenger auto liability and auto physical damage. The Company exhibited rapid growth soon after the expansion. However, due to inadequate rates and poor agency management, with adverse selection, the expansion into Virginia became unprofitable. The Company was unable to recover through rate increases and fell below the Virginia required surplus amounts, resulting in the Company voluntarily surrendering its license to do business in the state of Virginia in February of 2016.

EXECUTIVE SUMMARY

This summary of the Examination of the Company is intended to provide a high-level overview of the Examination results highlighting where recommendations were made or required actions were noted. The body of the Report provides details of the scope of the Examination, the examination approach, review and test procedures conducted, findings and observations, recommendations and required actions and, if applicable, subsequent Company actions. Company managerial and supervisory personnel from each operational area should review the Report for results relating to their specific area.

The following is a summary of all findings and observations, along with related required actions and recommendations and, if applicable, subsequent Company actions noted in this Examination. All West Virginia laws, regulations and bulletins cited in this report may be viewed on the WVOIC's website at: <https://www.wvinsurance.gov/Legal-Authority>

I – FINANCIAL EXAMINATION

There were no findings noted from the review of the Company's compliance with SSAP No. 53 and risk and timing transfer for reinsurance contracts in force for the period.

II – MARKET CONDUCT EXAMINATION

A. UNDERWRITING AND RATING

A. W. Va. Code § 33-20-4 (k). Rate filings

Finding A.1: The Company did not comply with § 33-20-4 (k) of the W. Va. Code in 12 instances when it used an unfiled rating rule to determine the loss free discount applied to each policy. The Company agreed with the finding and filed a new rule permitting application of the loss free discount.

Finding A.2: The Company did not comply with § 33-20-4 (k) of the W. Va. Code when it issued policies to 224 policyholders that were incorrectly assessed a surcharge of three points instead of the correct two-point surcharge. The Company identified 194 of the 224 policyholders who will be issued policy refunds of \$6,392.95 in the aggregate.

B. W. Va. Code § 33-11-3. Unfair methods of competition and unfair or deceptive acts or practices prohibited.

W. Va. Code § 33-11-4 (7) (c). Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined.

Finding B.1: The Company engaged in an unfair trade practice as defined by W. Va. Code § 33-11-4 (7) (c) when it issued 12 policies using an unfiled and arbitrary 30 day standard for allowing retention of loss free months for the purpose of the loss free discount at renewal. The Company agreed with the finding and filed a new rule permitting application of the loss free discount.

Finding B.2: The Company engaged in an unfair trade practice as defined by W. Va. Code § 33-11-4 (7) (c) when it unfairly assessed three surcharge points to 224 policyholders that should only have been assessed two surcharge points. The Company agreed with the finding.

On October 11, 2019, the Company filed revised manual rules for its private passenger automobile program that fully addressed and corrected the rating issues noted in the Examiners' findings. The revised rules were approved by the WVOIC effective October 15, 2019. The Company is in the process of reviewing its data to ensure that it has identified all policyholders eligible to receive a refund as a result of the findings.

FACTUAL FINDINGS

A. FINANCIAL EXAMINATION

The Company remains at risk as a going concern. The Milan Puskar Trustee stated in a letter requested by the WVOIC that it would allow Mr. Buchanan and Mr. Remmells more time to improve financial conditions at the Company. There is an understanding that an extension on the Promissory Note to Mr. Buchanan may become necessary, but there has been no decision made at this time. The Trustee has intimated that the discussion will be revisited in the early part of 2020.

B. MARKET CONDUCT EXAMINATION

1. UNDERWRITING AND RATING

A. W. Va. Code § 33-20-4 (k). Rate filings. *(k) No insurer shall make or issue a contract or policy except in accordance with the filings which are in effect for that insurer as provided in this article. This subsection does not apply to contracts or policies for risks as to which filings are not required.*

Finding A.1: The Examiners found that in one of 10 sample policies issued during the examination period (10% error rate), the Company did not comply with § 33-20-4 (k) of the W. Va. Code when it issued one policy using an unfiled rating rule to determine the loss free discount applied to the policy. When presented with the finding, the Company stated that 11 additional policies which were not included in the Examiners' testing sample, were also impacted by the same error. The Company agreed with Finding A.1 and subsequently made a filing with the WVOIC that allows for retention of loss free and transfer discounts, if a policy is reinstated with a lapse in coverage within 30 days for future policies. The filing was approved by the WVOIC effective October 15, 2019.

Finding A.2: The Examiners found that in one of 10 sample policies issued during the examination period (10% error rate), the Company did not comply with § 33-20-4 (k) of the W. Va. Code when it issued one policy and incorrectly assessed a surcharge of three points on the policy for a texting while driving violation instead of two points as allowed in its filed and approved rating plan. The Company indicated that an additional 223 policies that were not included in the Examiners' testing sample and were issued policies subsequent to December 1, 2014, the effective date of a rules change, were also impacted by the same error for a total of 224 impacted policyholders. The Company furnished a listing of the 224 policyholders. Policies effective prior to December 1, 2014 were not impacted by the error. The Company identified 194 of the 224 policyholders who will be issued policy refunds in the aggregate of \$6,392.95. No refunds were processed for 30 policyholders with outstanding premium balances that exceeded the amount of the overcharges. The Company agreed with Finding A.2 and subsequently made a filing with the WVOIC that specifies a three-point surcharge for texting for future policies. The filing was approved by the WVOIC effective October 15, 2019.

B. W. Va. Code § 33-11-3. Unfair methods of competition and unfair or deceptive acts or practices prohibited. – *No person shall engage in this state in any trade practice which is defined in this article as or determined pursuant to section seven of this article to be, an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.*

W. Va. Code § 33-11-4 (7) (c). – *As to kinds of insurance other than life and accident and sickness, no person shall make or permit any unfair discrimination in favor of particular persons, or between insureds or subjects of insurance having substantially like insuring, risk and exposure factors or expense elements, in the terms or conditions of any insurance contract, or in the rate or amount of premium charge therefor. This paragraph shall not apply as to any premium or premium rate in effect pursuant to article twenty of this chapter.*

Finding B.1: The Examiners found that in one of 10 sample policies issued during the examination period (10% error rate), the Company engaged in an unfair trade practice in violation of W. VA. Code § 33-11-3 and as defined by W. Va. Code § 33-11-4 (7) (c) when it used an unfiled and arbitrary 30 day standard for allowing retention of loss free months for the purpose of the loss free discount at renewal. When presented with the finding, the Company stated that 11 additional policies were also impacted by the same error. The Company agreed with Finding B.1 and subsequently made a filing with the WVOIC that allows for retention of loss free and transfer discounts if a policy is reinstated with a lapse in coverage within 30 days, for future policies. The filing was approved by the WVOIC effective October 15, 2019.

Finding B.2: The Examiners found that in one of 10 sample policies issued during the examination period (10% error rate), the Company engaged in an unfair trade practice in violation of W. VA. Code § 33-11-3 and as defined by W. Va. Code § 33-11-4 (7) (c) when it unfairly assessed three surcharge points on a policy that should only have been assessed two surcharge points under the Company's filed and approved rating rules. The Company indicated that an additional 223 policyholders that were not included in the Examiners' testing sample and were issued policies subsequent to December 1, 2014, were also impacted by the same error, for a total of 224 impacted policyholders. The Company agreed with Finding B.2 and subsequently made a filing with the WVOIC that specifies a three-point surcharge for a texting while driving violation, for future policies. The filing was approved by the WVOIC effective October 15, 2019.

The limited scope Financial and Market Conduct Examination resulted in the following required actions or recommendations that were communicated to the Company on September 19, 2019 and September 26, 2019:

- 1. The Company must discontinue the practice of applying renewal/loss free discounts on the basis of an arbitrary rule that has not been filed with the WVOIC. Policies that currently receive the discount on the basis of the arbitrary 30-day rule should not be assessed any additional premium in a manner that recoups any improperly discounted premiums previously charged to the policyholder. The Company should file an amendment to the rule if it wishes to apply the 30-day rule on future policies.*

(The Company complied with this required action.)

2. The Company:

- a) *must research and find all policies that were improperly assessed three points instead of two points for texting while driving from December 1, 2014 through current and recalculate the premiums for all policies affected by this error;*
- b) *must furnish the Examiners and the WVOIC a listing of the affected policies in excel format with separate column headings for the policy number, policy effective date, policy expiration date, policy termination date, policyholder's name, policyholder's address, policy premium, corrected policy premium, interest amount (if any), and refund amount for each policy. This file is to be provided no later than October 11, 2019;*
- c) *must draft a proposed cover letter to the policyholder that will accompany each policyholder's refund and explain the reason for the refund. A copy of the proposed letter should be submitted to the WVOIC for review and approval prior to use, attention Joylynn Fix, Director Rates & Forms at Joylynn.Fix@wv.gov;*
- d) *must complete processing and delivery of all policyholder refunds no later than November 27, 2019;*
- e) *is requested to furnish the WVOIC with a copy of all refund letters to policyholders, refund checks and a listing of all policyholders that includes the date the refund was made; and*
- f) *is requested to please inform the exam staff, if there were any other improper surcharges assessed on policies other than texting violations that occurred during the exam period.*

(The Company complied with these required actions and recommendations.)

SUMMARY

During this examination, Examiners reviewed and tested Company premium reporting, reinsurance contracts, underwriting and rating, as set forth in the NAIC Financial Condition Examiners Handbook, NAIC AP&P Manual, NAIC Market Regulation Handbook, the market conduct examination standards of the WVOIC, and the WV Code. Examiners identified required actions for which the Company is to report to the WVOIC by specified dates.

ACKNOWLEDGMENT

The Examiners acknowledge and recognize the high level of cooperation they received from the Company's examination coordinators during the performance of this examination.

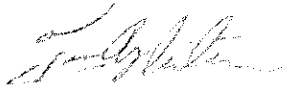
Respectfully Submitted,



Barbara A. Bartlett, CPA, MBA, CFE
Manager
Risk & Regulatory Consulting, LLC
Examiner-in-Charge
Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE
Director / Chief Financial Examiner
Company Analysis and Examinations Division
WV Offices of the Insurance Commissioner



Tom Whitener, CPCU, SPIR, CIE, FLMI, CCP, AFSB, AMCM
Market Conduct Director
WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

James A. Dodrill
Insurance Commissioner

CERTIFIED MAIL: 7014 2120 0001 3016 5432

November 8, 2019

Mr. James W. Buchanan, Jr., President
West Virginia National Auto Insurance Company
330 Scott Avenue, Suite 2
Morgantown, WV 26508

RE: Report of Limited Scope Examination
NAIC: #10911

Dear Mr. Buchanan:

Please find enclosed a copy of the Report of Examination of West Virginia National Auto Insurance Company. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code of 1931, as amended. The Report reflects the affairs and condition of West Virginia National Auto Insurance Company for the period of October 1, 2018 through April 30, 2019.

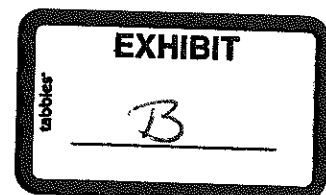
You are hereby notified that you have thirty (30) days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If an exception is taken, it must be filed with this Department during the statutory time period. If no exception is taken, please respond accordingly by the end of the thirty (30) day comment period.

Sincerely,

James A. Dodrill
Insurance Commissioner

JAD/jot

Enclosure: Copy of Report of Examination





West Virginia National Auto Insurance Company, Inc.

330 Scott Avenue • Suite 2
Morgantown, WV 26508-8804
Phone 304/296-0507 • Fax 304/296-3425

November 21, 2019

Mr. James A. Dodrill, Insurance Commissioner
West Virginia Offices of the Insurance Commissioner
P.O. Box 50540
Charleston, WV 25305-0540

Re: Report of Limited Scope Examination for the period October 1 2018 to April 30, 2019

Dear Commissioner Dodrill:

In response to the recommendations noted in the above-referenced report, we are providing the following.

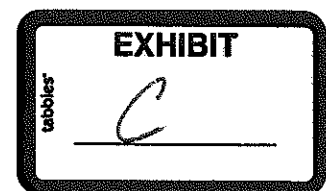
1. Findings A1 and B1

It has always been our policy to comply with W.Va Code §33-20-4 (k), §33-11-3, §33-11-4 (7) (c). We always intended to allow our insureds to retain their loss free months in increments of 3 if their policy was reinstated within 30 days of cancelling/lapsing. In order to clarify this, we revised our Underwriting Manual with additional wording to address this omission. This filing was approved by the West Virginia Offices of the Insurance Commissioner (WVOIC) on October 15, 2019.

2. Findings A2 and B2

It has always been our policy to fully comply with W. Va. Code R. §114-14-7.3c), §33-11-3, §33-11-4 (7) (c). We inadvertently used a prior version of our Underwriting Manual that had the 2-point surcharge for texting and driving. To remedy this error, we re-filed our Underwriting Manual for a 3-point surcharge on texting violations. This filing was approved by the WVOIC on August 23, 2019. We also implemented a new procedure for filing Underwriting Manual revisions whereby all revised Underwriting Manuals are compared to the last approved manual to ensure that only the currently desired changes are made.

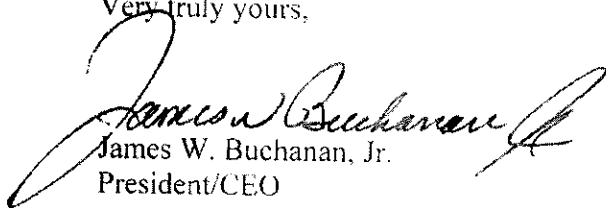
- a) We researched and found 224 policies that were improperly assessed three points instead of two for texting while driving from December 1, 2014 to date and recalculated that the premiums overcharged totaled \$6,402.00.
- b) We provided a listing of the affected policies refund amounts due to the Examiners and the WVOIC on October 17, 2019.
- c) We drafted a cover letter to the policyholders that accompanied each policyholder's refund and explained the reason for the refund. This letter was filed on October 22, 2019 and approved by the WVOIC on the same day.
- d) We mailed all refund checks on November 14, 2019.



- e) We provided a copy of the refund letter to policyholders, copies of the refund checks, and a listing of all policyholders affected along with the check date to the WVOIC on November 20, 2019.
- f) We did not identify any other improper surcharges assessed on policies other than the texting violations identified during the exam.

If you have any questions or need any additional information, please do not hesitate in contacting me immediately.

Very truly yours,



James W. Buchanan, Jr.
President/CEO