

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Karen S. Gerber, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Cincinnati Insurance Company as of March 31, 2014 conducted at the company's office in Cincinnati, Ohio is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No. INS-2016-00148 finalizing the Report.

**IN WITNESS WHEREOF**, I have  
hereunto set my hand and affixed  
the official seal of this the Bureau  
at the City of Richmond, Virginia,  
this 6th day of July, 2016.

Karen S. Gerber  
Examiner in Charge

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**CINCINNATI INSURANCE COMPANY**

**AS OF**

**MARCH 31, 2014**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

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## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the private passenger automobile, homeowners, commercial automobile, and commercial property and liability lines of business written by Cincinnati Insurance Company at its office in Cincinnati, Ohio.

The examination commenced August 4, 2014, and concluded May 28, 2015. Brandon L. Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Richard L. Howell, Melody S. Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on February 19, 2014, and was assigned the examination number of VA097-M16. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners Market Regulation Handbook.

## COMPANY PROFILE\*

The property/casualty insurance operations of Cincinnati Financial Corporation (CINF) are led by the Cincinnati Insurance Company, which together with two of its reinsured subsidiaries, is known as The Cincinnati Insurance Companies standard market property/casualty group. The group ranks among the 25 largest property/casualty insurance groups in the country. Through its single channel distribution network of independent agents, the group underwrites a broad array of standard commercial lines and personal lines, primarily in the Midwest and Southeast regions of the United States. Through its subsidiary companies, The Cincinnati Casualty

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\* Source: Best's Insurance Reports, Property & Casualty, 2013 Edition.

Company and The Cincinnati Indemnity Company, the group is provided with greater underwriting and pricing flexibility.

The table below indicates when the company was licensed in Virginia and the lines of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date the company was licensed in Virginia except as noted in the table.

<b>GROUP CODE: 0244</b>	<b>CIC</b>
<b>NAIC Company Number</b>	10677
LICENSED IN VIRGINIA	12/21/1973
LINES OF INSURANCE	
Accident and Sickness	9/2/1982
Aircraft Liability	X
Aircraft Physical Damage	X
Animal	9/2/1982
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	X
Burglary and Theft	X
Commercial Multi-Peril	X
Credit	
Farmowners Multi-Peril	X
Fidelity	X
Fire	X
General Liability	X
Glass	X
Homeowners Multi-Peril	X
Inland Marine	X
Miscellaneous Property	X
Ocean Marine	9/2/1982
Surety	X
Water Damage	X
Workers' Compensation	X

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2013 for those lines of insurance included in this examination.\* This business was developed through independent agents.

<b>COMPANY AND LINE</b>	<b>PREMIUM VOLUME</b>	<b>MARKET SHARE</b>
Commercial Automobile Liability	\$13,816,070	3.35%
Commercial Automobile Physical Damage	\$3,743,306	3.07%
Commercial Multiple Peril Homeowner	\$22,854,893	4.88%
Private Passenger Automobile Liability	\$9,484,474	.49%
Private Passenger Automobile Physical Damage	\$6,075,503	.23%
	\$4,533,271	.24%

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\* Source: The 2013 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

## SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's private passenger automobile, homeowner, commercial automobile, and commercial property and liability lines of business written in Virginia for the period beginning April 1, 2013 and ending March 31, 2014. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance<sup>1</sup>, statutory notices, agent licensing, complaint handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the company's practices that require some action by the company. This section also summarizes the violations for which the company was cited in previous examinations.

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<sup>1</sup> Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

The examiners may not have discovered every unacceptable or noncompliant activity in which the company was engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

### **STATISTICAL SUMMARY**

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the company. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

AREA	Population		FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
	CIC	Sample Requested TOTAL				
<b><u>Private Passenger Auto</u></b>						
New Business	<u>780</u> 15	<u>780</u> 15	15	0	10	67%
Renewal Business	<u>8,632</u> 25	<u>8,632</u> 25	25	0	11	44%
Co-Initiated Cancellation <sup>1</sup>	<u>16</u> 10	<u>16</u> 10	7	0	0	0%
All Other Cancellations	<u>2,325</u> 16	<u>2,325</u> 16	16	0	0	0%
Nonrenewals	<u>436</u> 4	<u>436</u> 4	4	0	0	0%
<b><u>Homeowners</u></b>						
New Business <sup>2</sup>	<u>691</u> 15	<u>691</u> 15	14	0	1	7%
Renewal Business	<u>10,973</u> 25	<u>10,973</u> 25	25	0	7	28%
Co-Initiated Cancellations <sup>3</sup>	<u>25</u> 6	<u>25</u> 6	5	0	2	40%
All Other Cancellations	<u>2,475</u> 10	<u>2,475</u> 10	10	0	0	0%
Nonrenewals	<u>797</u> 3	<u>797</u> 3	3	0	0	0%
<b><u>Commercial Auto</u></b>						
New Business	<u>417</u> 10	<u>417</u> 10	10	0	4	40%
Renewal Business	<u>2,773</u> 15	<u>2,773</u> 15	15	0	4	27%
All Cancellations <sup>4</sup>	<u>131</u> 8	<u>131</u> 8	7	0	0	0%
<b><u>Commercial P&amp;L</u></b>						
New Business <sup>5</sup>	<u>810</u> 25	<u>810</u> 25	23	0	12	52%
Renewal Business	<u>4,309</u> 30	<u>4,309</u> 30	30	0	16	53%
All Cancellations <sup>6</sup>	<u>1,257</u> 37	<u>1,257</u> 37	27	0	0	0%
<b><u>Claims</u></b>						
Private Passenger Auto	<u>2,674</u> 28	<u>2,674</u> 28	28	0	16	57%
Property	<u>561</u> 25	<u>561</u> 25	25	0	12	48%
Commercial Auto <sup>7</sup>	<u>171</u> 15	<u>171</u> 15	13	0	9	69%
Commercial P&L	<u>2,498</u> 32	<u>2,498</u> 32	32	0	16	50%

Footnote 1 Two files were moved to Insured Requested category.

Footnote 2 One policy was not a new business policy and was not reviewed.

Footnote 3 One policy was not a homeowners contract and was not reviewed.

Footnote 4 One policy was an expiration and was not reviewed.

Footnote 5 One policy was not in the scope of the exam and one policy was a NJ risk.

Footnote 6 Ten files were not Commercial Property & Liability policies and were not reviewed.

Footnote 7 Two files were Maryland policies and were not reviewed.

## **PART ONE - THE EXAMINERS' OBSERVATIONS**

This section of the Report contains all of the observations that the examiners provided to the company. These include all instances where the company violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the company violated any other Virginia laws applicable to insurers.

### **RATING AND UNDERWRITING REVIEW**

#### **Private Passenger Automobile New Business Policies**

The Bureau reviewed 15 new business policy files. As a result of this review, the examiners found overcharges totaling \$143.00 and undercharges totaling \$987.00. The net amount that should be refunded to insureds is \$143.00 plus six percent (6%) simple interest.

- (1) The examiners found 11 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In three instances, the company failed to use the correct discounts and/or surcharges.
  - b. In three instances, the company failed to use the correct symbol.
  - c. In one instance, the company failed to use the correct tier eligibility criteria.
  - d. In four instances, the company failed to use the correct increased limits factor.
  
- (2) The examiners found seven violations of § 38.2-2234 E of the Code of Virginia. The company used credit information that was obtained more than 90 days from when the new business policy was written.

**Private Passenger Automobile Renewal Business Policies**

The Bureau reviewed 25 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$26.00 and undercharges totaling \$572.00. The net amount that should be refunded to insureds is \$26.00 plus six percent (6%) simple interest.

The examiners found 17 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In one instance, the company failed to use the correct discounts and/or surcharges.
- b. In ten instances, the company failed to use the correct symbol.
- c. In six instances, the company failed to use the correct increased limits factor.

**Homeowners New Business Policies**

The Bureau reviewed 14 new business policy files. As a result of this review, the examiners found overcharges totaling \$14.00 and no undercharges. The net amount that should be refunded to insureds is \$14.00 plus six percent (6%) simple interest.

The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to use the correct base or final rates.

**Homeowners Renewal Business Policies**

The Bureau reviewed 25 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$429.00 and no undercharges. The net amount that should be refunded to insureds is \$429.00 plus six percent (6%) simple interest.

- (1) The examiners found seven violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the age of dwelling discount on the declaration page.
- (2) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to use the correct public protection class.

### **Commercial Automobile New Business Policies**

The Bureau reviewed ten new business policy files. During this review, the examiners found overcharges totaling \$1,086.00 and undercharges totaling \$242.00. The net amount that should be refunded to insureds is \$1,086.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute.
- (2) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to document the characteristics that support the individual risk premium modification (IRPM) factor that was applied to the policy.

### **Commercial Automobile Renewal Business Policies**

The Bureau reviewed 15 renewal business policy files. During this review, the examiners found overcharges totaling \$1,122.00 and no undercharges. The net amount that should be refunded to insureds is \$1,122.00 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-305 A of the Code of Virginia. The

company failed to specify accurate information in the policy as required by the statute.

- a. In one instance, the company included information that was not applicable to the policy.
  - b. In one instance, the company failed to list applicable forms on the declarations page.
- (2) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In one instance, the company failed to use the correct base and/or final rates.
  - b. In one instance, the company failed to use the correct experience credits.
  - c. In one instance, the company failed to document the characteristics that support the IRPM factor that was applied to the policy.

### **Commercial Property and Liability New Business Policies**

The Bureau reviewed 23 new business policy files. During this review, the examiners found overcharges totaling \$511.00 and undercharges totaling \$14,063.00. The net amount that should be refunded to insureds is \$511.00 plus six percent (6%) simple interest.

- (1) The examiners found four violations of § 38.2-304 of the Code of Virginia. The company used a binder for longer than the 60 days permitted under the statute.
- (2) The examiners found 21 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In six instances, the company failed to use the correct base and/or final rates.
  - b. In two instances, the company failed to use the correct construction type.

- c. In five instances, the company failed to use the correct public protection class.
- d. In two instances, the company failed to use the correct occupancy class.
- e. In two instances, the company failed to use the correct package modification factors.
- f. In three instances, the company failed to document the characteristics that support the IRPM factor that was applied to the policy.
- g. In one instance, the company failed to use its filed rounding rule.

### **Commercial Property and Liability Renewal Business Policies**

The Bureau reviewed 30 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$1,790.00 and undercharges totaling \$6,164.00. The net amount that should be refunded to insureds is \$1,790.00 plus six percent (6%) simple interest.

The examiners found 27 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In three instances, the company failed to use the correct base and/or final rates.
- b. In one instance, the company failed to follow its filed minimum premium rule.
- c. In two instances, the company failed to use the correct construction type.
- d. In nine instances, the company failed to use the correct public protection class.
- e. In two instances, the company failed to use the correct occupancy class.
- f. In one instance, the company failed to use the correct package modification factors.

- g. In three instances, the company failed to use the correct IRPM factor.
- h. In six instances, the company failed to document the characteristics that support the IRPM factor applied to the policy.

### **TERMINATION REVIEW**

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

### **Company-Initiated Cancellations – Private Passenger Automobile Policies**

#### **NOTICE MAILED PRIOR TO THE 60<sup>TH</sup> DAY OF COVERAGE**

The Bureau reviewed four private passenger automobile cancellations that were initiated by the company where the company mailed the notices prior to the 60<sup>th</sup> day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

#### **NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE**

The Bureau reviewed three private passenger automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60<sup>th</sup> day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

**All Other Cancellations – Private Passenger Automobile Policies**NONPAYMENT OF THE PREMIUM

The Bureau reviewed eight private passenger automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau reviewed eight automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

**Company-Initiated Nonrenewals - Private Passenger Automobile Policies**

The Bureau reviewed four automobile nonrenewals that were initiated by the company.

The examiners found no violations in this area.

**Company-Initiated Cancellations – Homeowners Policies**NOTICE MAILED PRIOR TO THE 90<sup>TH</sup> DAY OF COVERAGE

The Bureau reviewed three homeowner cancellations that were initiated by the company where the company mailed the notices prior to the 90<sup>th</sup> day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 89<sup>TH</sup> DAY OF COVERAGE

In addition, the Bureau reviewed two homeowner cancellations that were initiated by the company where the company mailed the notices on or after the 90<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found two violations of § 38.2-2114 A of the Code of Virginia.

The company cancelled a policy insuring an owner-occupied dwelling after the 89<sup>th</sup> day of coverage for a reason not permitted by the statute.

**All Other Cancellations – Homeowners Policies**NONPAYMENT OF THE PREMIUM

The Bureau reviewed five homeowner cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau reviewed five homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

**Company-Initiated Non-renewals – Homeowners Policies**

The Bureau reviewed three homeowner nonrenewals that were initiated by the company.

The examiners found no violations in this area.

**Commercial Automobile Policies**

The Bureau reviewed seven commercial automobile cancellations. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

**Commercial Property and Liability Policies**

The Bureau reviewed 27 commercial property and liability cancellations. During this review, the examiners found no overcharges and undercharges totaling \$15.00. The net amount that should be refunded to insureds is \$15.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-231 F of the Code of Virginia. The company failed to provide proof of mailing the notice of cancellation to the lienholder.
- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to honor the cancellation date requested by the insured.

**CLAIMS REVIEW****Private Passenger Automobile Claims**

The examiners reviewed 28 automobile claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$15.00 and underpayments totaling \$4,461.94.

The net amount that should be paid to claimants is \$4,461.94 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found seven violations of 14 VAC 5-400-50 D. The company failed to provide reasonable assistance to first party claimants by failing to explain the benefits or coverages available under the policy.

- a. In three instances, the company failed to inform the insured of his Medical Expense Benefits coverage.

- b. In four instances, the company failed to inform the insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found three violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

- a. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

- b. In one instance, the company failed to pay the claim in accordance with

the policy provisions under the insured's Transportation Expenses coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (5) The examiners found two violations of § 38.2-236 A. The company failed to send the claimant's attorney or other representative a copy of the claimant's notice of a settlement payment of \$5,000.00 or greater.
- (6) The examiners found two violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (7) The examiners found one violation of § 38.2-510 A 13 of the Code of Virginia. The company failed to settle a claim where liability was reasonably clear under one portion of the insurance policy in order to influence a settlement under another portion of the policy coverage.
- (8) The examiners found one violation of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- (9) The examiners found one violation of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured advising the company to make payments directly to the medical provider.
- (10) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy.

- a. In one instance, the company failed to include the lienholder on the check.
- b. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
- c. In two instances, the company issued payment under the incorrect coverage.

#### Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found one violation of § 46.2-1603 D of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when damage to a late model owner retained vehicle exceeded 75% of its actual cash value.

#### **Commercial Automobile Claims**

The examiners reviewed 13 commercial automobile claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$156.94 and underpayments totaling \$850.00. The net amount that should be paid to claimants is \$850.00 plus six percent (6%) simple interest.

- (1) The examiners found four violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found two violations of 14 VAC 5-400-50 D. The company failed to provide reasonable assistance to first party claimants by failing to explain the benefits or coverages available under the policy.

The company failed to inform the insured of the benefits or coverages, including rental benefits, available under the UM coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found two violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions. The company failed to reimburse the insured his portion of the collision deductible under the Uninsured Motorist Property Damage coverage (UMPD).

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

- (5) The examiners found one violation of § 38.2-236 A. The company failed to send the claimant's attorney or other representative a copy of the claimant's notice of a settlement of \$5,000.00 or greater.

- (6) The examiners found one violation of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

- (7) The examiners found two occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
  - b. In one instance, the company issued a payment under the incorrect coverage.

#### Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found one violation of § 46.2-1603 D of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when damage to a late model owner retained vehicle exceeded 75% of its actual cash value.

#### **Homeowners Claims**

The examiners reviewed 25 homeowner claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$12.53 and underpayments totaling \$1807.71. The net amount that should be paid to claimants is \$1807.71 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found two violations of 14 VAC 5-400-50 D. The company failed to provide reasonable assistance to first party claimants by failing to explain the benefits or coverages available under the policy.
- a. In one instance, the company failed to inform the insured of the benefits available under the Additional Living Expense (ALE) coverage in the policy.
- b. In one instance, the company failed to inform the insured of the benefits available under the Personal Property Replacement Cost coverage in the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found two violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found one violation of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions. The company failed to properly pay the claim under the insured's replacement cost Dwelling coverage.

- (5) The examiners found one violation of 14 VAC 5-400-80 A. The company recommended that the third party claimant make a claim under his own policy in order to avoid paying the claim under the company's insurance policy when liability was clear.

- (6) The examiners found two violations of § 38.2-510 A 1 of the Code of Virginia.

The company misrepresented pertinent facts or insurance policy provisions relating to the coverages at issue. The company failed to properly represent the Replacement Cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found one violation of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under policies.
- (8) The examiners found one violation of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage under which payment was made.
- (9) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- (10) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In two instances, the company failed to include the mortgagee on the check.
  - b. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of the policy.

**Commercial Property and Liability Claims**

The examiners reviewed 32 commercial property claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$65,436.34 and no underpayments.

- (1) The examiners found eight violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found seven violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

- (4) The examiners found six occurrences where the company failed to comply with the provisions of the insurance contract. The company paid an insured more than he/she was entitled to receive under the terms of the policy.

**Other Law Violations**

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

### **REVIEW OF FORMS**

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the company. In addition, the Bureau requested copies of new and renewal business policy mailings that the company was processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

### **Automobile Policy Forms**

#### **POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The company provided copies of 41 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

#### **POLICY FORMS CURRENTLY USED**

The examiners found no additional forms to review.

## **Homeowners Policy Forms**

### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 102 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

## **Commercial Automobile Policy Forms**

### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 235 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found two violations of § 38.2-2220 of the Code of Virginia. The company used a version of a standard automobile form that was not in the precise language filed and adopted by the Bureau.

### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

## ***Commercial Property and Liability Policy Forms***

### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 1,144 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

**REVIEW OF THE POLICY ISSUANCE PROCESS**

To obtain sample policies to review the company's policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the company received the Examination Data Call. The company was instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the company enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

**Automobile Policies**

The company provided three new business policies mailed on the following dates: April 28, 2014, April 29, 2014, and April 29, 2014. In addition, the company provided three renewal business policies all of which were mailed on the following date: May 1, 2014.

**NEW BUSINESS POLICIES**

The examiners found no violations in this area.

**RENEWAL BUSINESS POLICIES**

The examiners found three violations of § 38.2-305 B of the Code of Virginia.

The company failed to provide the Important Information to Policyholders notice.

**Homeowners Policies**

The company provided three new business policies mailed on the following dates: April 29, 2014, May 1, 2014, and May 14, 2014. In addition, the company

provided three renewal business policies all of which were mailed on the following date:  
May1, 2014.

#### NEW BUSINESS POLICIES

The examiners found no violations in this area.

#### RENEWAL BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-2118 of the Code of Virginia. The company failed to provide the Replacement Cost Coverage notice as required by the statute.
- (2) The examiners found three violations of § 38.2-2125 of the Code of Virginia. The company failed to provide the flood exclusion notice as required by the statute.

#### **Commercial Automobile Policies**

The company provided three new business policies mailed on the following dates: June 17, 2014, June 20, 2014, and June 26, 2014. In addition, the company provided three renewal business policies mailed on the following dates: February 14, 2014, April 7, 2014, and May 5, 2014.

#### NEW BUSINESS POLICIES

The examiners found no violations in this area.

#### RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

#### **Commercial Property and Liability Policies**

The company provided six new business policies mailed on the following dates: May 6, 7, 8, 2014 and May 27, 28, 29, 2014. In addition, the company provided six renewal business policies mailed on the following dates: February 20, 2014, February 20, 2014, March 17, 2014, April 25 and 29, 2014, and May 1, 2014.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company's statutory notices used during the examination period and those that are currently used for the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the company. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the company on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia.

**General Statutory Notices**

The examiners found one violation of § 38.2-1906.1 of the Code of Virginia. The company failed to have available for use the Misquote of Premium notice.

**Statutory Vehicle Notices**

The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company's glass script failed to comply with the provisions of the statute.

**Statutory Property Notices**

- (1) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to include all of the information required by the statute in its Right to Review notice.
- (2) The examiners found three violations of § 38.2-2125 of the Code of Virginia. The company failed to include all of the information required by the statute in its Flood Exclusion notice.

**Other Notices**

The company provided 20 copies of other notices and documents including applications that were used during the examination period.

The examiners found no violations in this area.

**LICENSING AND APPOINTMENT REVIEW**

A review was made of the private passenger automobile, homeowner, commercial automobile, and commercial property and liability new business policies to verify the agent of record. In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

**Agent**

The examiners found one violation of § 38.2-1822 A of the Code of Virginia. The company permitted an entity to act as an agent without first obtaining a license from the Commonwealth of Virginia.

**Agency**

The examiners found one violation of § 38.2-1812 of the Code of Virginia. The company paid commissions to an agency not duly appointed within 30 days of the date of application.

**REVIEW OF THE COMPLAINT-HANDLING PROCESS**

A review was made of the company's complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia

The examiners found no violations in this area.

**REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES**

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The company provided its written information security procedures.

## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Any error ratio above these guidelines indicates a general business practice. The threshold applied to claims handling was seven percent (7%). In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

### **General**

Cincinnati Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to this Report.

### **Rating and Underwriting Review**

Cincinnati Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents, and

convictions, symbols, tier eligibility, driver classification factors, territory, rounding rules, correct base and/or final rates, uninsured motorist rates, and credit score information.

- (5) Use credit information that was obtained within 90 days of writing the policy. Properly represent the benefits, coverage, advantages, and conditions of the policy.

### **Termination Review**

Cincinnati Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges it has refunded or credited the overcharges listed in the file.
- (4) Calculate return premium according to the filed rules and policy provisions.
- (5) Cancel owner-occupied dwelling policies after the 89th day of coverage only for reasons permitted by the statute.

### **Claims Review**

Cincinnati Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.
- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Inform first party claimants of coverages and benefits applicable to the loss. The company will Cease and Desist from all practices which constitute violations of 14 VAC 5-400-50 D.
- (6) Provide a reasonable explanation of the basis of the denial of a claim or offer of a compromise settlement.
- (7) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.
- (8) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (9) Adopt and implement standards for prompt investigation of claims.

### **Forms Review**

Cincinnati Insurance Company shall:

Use the precise language of the standard automobile forms adopted by the Bureau.

### **Review of Policy Issuance Process**

Cincinnati Insurance Company shall:

- (1) Provide the insured the Important Information Regarding Your Insurance notice with all new and renewal policies.
- (2) Provide the Replacement Cost Coverage notice with all new policies as required by the statute.
- (3) Provide the Flood Exclusion notice with all new policies as required by the statute.

### **Review of Statutory Notices**

Cincinnati Insurance Company shall:

- (1) Amend the Glass Script to disclose to the insured or claimant prior to transferring to a Third Party Vendor that the claim will be handled by a third party.
- (2) Amend the Right to Review notice to comply with § 38.2-2114 A of the Code of Virginia.
- (3) Amend the Flood Exclusion notice to comply with § 38.2-2125 of the Code of Virginia.

### **Licensing and Appointment Review**

Cincinnati Insurance Company shall:

- (1) Appoint agents within 30 days of the application.
- (2) Accept business only from an agent that is licensed in the Commonwealth of Virginia.

### **PART THREE – RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer.

#### **RECOMMENDATIONS**

We recommend that the company take the following actions:

#### **Rating and Underwriting**

- The company should avoid sending the Credit Adverse Action Notice to insureds with an Insurance Score of T-7 or better. The company is only required to send the Credit Adverse Action Notice if the Insurance Score has an adverse effect on the policy premium.
- The company should reevaluate its homeowner application practices to insure that only loss information obtained from the insured is displayed on the application. Losses from CLUE that pertain to the actual risk should not be captured on the application.
- The company should amend its Commercial Auto Rule 95 to include the UM coverage as an eligible coverage under Expense Considerations.
- The company should amend its Personal Homeowners Manual to include the premium calculation steps the company uses to calculate the Base Premium, Basic Annual Premium, and Optional Coverages.
- The company should update their index to reflect the current pages in the Personal Homeowners Manual.
- The company should consider filing a rule with the Bureau as it relates to an insured who qualifies for the best credit tier (T-1) in its personal auto business. Filing of this rule would enable the company would to discontinue updating credit for an insured in this tier for the life of the policy.

**Termination**

- The company should amend its form CA 02 68 12 05 if the company intends to calculate all return premiums pro rata.
- The company should remove the Right to Review notice on cancellations in the first 60 days of coverage.

**Claims**

- The company should provide copies of repair estimates to the vehicle owner.
- The company should send the claimant's attorney or other representative a notice of settlement payments of \$5,000.00 or more.
- The company should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy
- The company should acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days
- The company should include the mortgagee on checks where applicable.
- The company should include the insurance fraud statement on claim forms required by the company as a condition of payment.

**Policy Issuance Process**

- The company should list only forms on the declaration page in the section entitled "Other Coverages and Endorsements". Notices should not be listed in this section of the declaration page.

**Notices**

- The company should add the BOI's TDD number (804-371-9206) to the Important Information Regarding Your Insurance notice.

**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

The Bureau conducted one prior market conduct examination of Cincinnati Insurance Company and Cincinnati Casualty Company and one prior examination of Cincinnati Insurance Company and Cincinnati Indemnity Company.

During the commercial automobile, commercial property and liability, and Workers' Compensation examination of Cincinnati Insurance Company and Cincinnati Casualty Company as of December 31, 1994, Cincinnati Insurance Company violated and was ordered to cease and desist from any conduct which constituted a violation of §§ 38.2-231, 38.2-304, 38.2-305, 38.2-1904, 38.2-1906 B, 38.2-2014, or 38.2-2220 or Section 4.4 of the Commission's Rules Governing Insurance Premium Finance Companies. Cincinnati Casualty Company was ordered to cease and desist from any conduct which violated §§ 38.2-304, 38.2-305, 38.2-2005, or 38.2-2014, or Section 4.4 of the Commission's Rules Governing Insurance Premium Finance Companies.

During the private passenger automobile and homeowner examination of Cincinnati Insurance Company and Cincinnati Indemnity Company as of December 31, 2001, Cincinnati Insurance Company violated §§ 38.2-231 A, 38.2-305 A, 38.2-510 A 10, 38.2-610, 38.2-1318, 38.2-1906 D, 38.2-2113, 38.2-2114, 38.2-2118, 38.2-2202, 38.2-2206, 38.2-2208, 38.2-2210, 38.2-2212, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, and VAC 5-400-70 D of the Virginia Administrative Code, and the Cincinnati Indemnity Company violated §§ 38.2-305 A, 38.2-610, 38.2-1318, 38.2-1804, 38.2-1905 A, 38.2-1906 D, 38.2-2118, 38.2-2202, 38.2-2206, 38.2-2210, 38.2-2212, and 38.2-2220 of the Code of Virginia as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, and VAC 5-400-70 D of the Virginia Administrative Code.

**ACKNOWLEDGEMENT**

The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

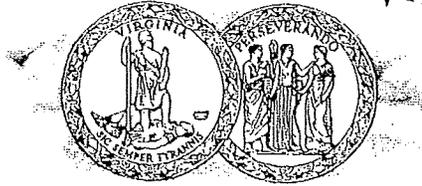
Sincerely,

A handwritten signature in cursive script that reads "Karen S Gerber".

Karen S. Gerber  
Senior Insurance Market Examiner

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

June 25, 2015

VIA UPS 2<sup>nd</sup> DAY DELIVERY

Jim Brown  
Cincinnati Insurance Company  
Regulatory & Consumer Relations  
6200 S. Gilmore Rd.  
Fairfield, OH 45014-5141

RE: Market Conduct Examination  
Cincinnati Insurance Company (NAIC # 10677)

Dear Mr. Brown:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2013, through March 31, 2014. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since May 28, 2015. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the company, I would urge you to closely review the report. Please provide a written response. When the company responds, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The company does not need to respond to any particular item with which it agrees. If the company disagrees with an item or wishes to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the report or modify a violation unless the company provides written documentation to support its position.

Secondly, the company should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the company has comments it wishes to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

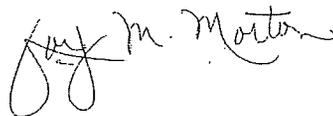
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by July 30, 2015.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by July 30, 2015.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, stylized initial "J" and "M".

Joy Morton  
Supervisor  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

## Karen Gerber

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**From:** Brown, Jim (R&CR) <Jim\_Brown@CINFIN.com>  
**Sent:** Tuesday, August 25, 2015 3:05 PM  
**To:** Joy Morton; Karen Gerber  
**Subject:** Cincinnati Insurance Response to Preliminary Exam Report

Joy and Karen, I uploaded our response to the Preliminary Report to the [IBackup website](#). I created a folder titled Exam Report Company Response for this. In that folder is a Microsoft Word document with our response following the order and format of the exam report. We reference a number of attachments/exhibits in our response. Each is identified with a letter. Each attachment is a separate pdf file with the same name as referenced in the Word document, Exhibit A through Exhibit K. The restitution spreadsheet is also in the same folder. Your log-in information to the website should still be active. If you have any difficulty downloading the documents please let me know.

We will provide an executive summary separately tomorrow.

Sincerely,

Jim Brown  
Regulatory & Consumer Relations  
The Cincinnati Insurance Company  
[jim\\_brown@cinfin.com](mailto:jim_brown@cinfin.com)  
513-870-2491  
P.O. Box 145496  
Cincinnati, OH 45250-5496

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## Rating and Underwriting Review

### Private Passenger Automobile New Business Policies

- 1) The examiners found 12 violations of 38.2-1906 D of the Code of VA. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In three instances, the company failed to use the correct discounts and/or surcharges:
    - i. Review sheet: 1059479163 = agreed
    - ii. Review sheet: 623651591 = agreed
    - iii. Review sheet: 1423876518 = We respectfully disagree with this alleged violation. The Youthful Policy Surcharge on this policy is correctly being applied to the third vehicle. The issue here is that the Driver Assignment screen had not been updated. This does not mean, of course, that the surcharge does not properly apply. We request that this reported violation be withdrawn because we properly applied all rules/rates on file with the Bureau.
  - b. In four instances, the company failed to use the correct symbol  
  
Review sheet: 1658826348 = We respectfully disagree with this alleged violation.
    - i. ISO only provided Liability Symbols (Including MEB Symbols) for vehicles 1998 and newer. An addendum to our contract with ISO indicates that ISO agreed to provide Liability and Med Pay symbols for vehicle model years dating back to 1998. The vehicle in question was rated correctly. That is, the 1996 Toyota was rated with a MEB (Med Pay) of NA (not available) as no MEB symbol was available due to the age of that particular vehicle. It was, therefore, properly assigned with a point value of 0. We have attached the referenced addendum for your review marked as Exhibit A.
    - ii. Review sheet: 1638282672, 1734323281 & 524672151 = agreed
  - c. In one instance, the company failed to use the correct tier eligibility criteria
    - i. Review sheet: 1564303276 = agreed
  - d. In four instances, the company failed to use the correct increased limits factor
    - i. Review sheet 181948606 = agreed
    - ii. Review sheet 1013950228 = agreed
    - iii. Review sheet 1407413958 = agreed
    - iv. Review sheet 45578841 = agreed

Note that this error has been corrected.

- 2) The examiners found seven violations of 38.2-2234 E of the Code of VA. The company used credit information that was obtained more than 90 days from when the new business policy was written.

a. We agree with review sheets:

- i. 548218023
- ii. 1884323906
- iii. 1579076551
- iv. 1001179768
- v. 1171290789
- vi. 97486882
- vii. 2010345597

Please note that this has been corrected.

### **Private Passenger Automobile Renewal Business Policies**

- 1) The examiners found seventeen violations of 38.2-1906 D of the Code of VA. The company failed to use the rules and/or rates on file with the Bureau.

a. In one instance, the company failed to use the correct discounts and/or surcharges.

- i. Review sheet 1086339846 = agreed

b. In ten instances, the company failed to use the correct symbol.

i. We agree with review sheets:

1. 797841393
2. 1898804307
3. 983797673
4. 377630589
5. 1841376181
6. 1658826348
7. 1139343121
8. 242172543
9. 1444886727
10. 870082449

c. In six instances, the company failed to use the correct increased limits factor.

i. We agree with review sheets:

1. 1970380845
2. 1410418838
3. 96503391
4. 949538773

5. 1408370198

6. 2115636684

Note that this error has been corrected.

### Homeowners New Business Policies

- 1) The examiners found two violations of 38.2-1906 D of the code of VA. The company failed to use the rules and/or rates on file with the Bureau. The company failed to use the correct base or final rates.
  - a. Review sheet 2104527609
    - i. Violation 1: We respectfully disagree with this alleged violation. The rate was correctly applied to this homeowner policy. We are not required to file a rating sequence with the state. We request that this reported violation be withdrawn.
    - ii. Violation 2: We agree. Please note that this was corrected and the premium returned to the insured.
- 2) The examiners found one violation of 38.2-2126 E of the code of VA. The company used credit information that was obtained more than 90 days from the new business policy's effective date.
  - a. Review sheet 875677081 = We respectfully disagree with this alleged violation. The National Credit File Report with the insurance score was received on 8/14/2013. The policy effective date was 82 days later on 11/4/2013. See attached report and policy dec page, marked as **Exhibit B**. Also 38.2-2126 E only prohibits use of credit information older than 90 days if an adverse action is taken as a result. In this case the insured benefited by the application of an insurance score credit as documented on the dec page. Therefore, we request for the removal of this alleged violation from the report.

### Homeowners Renewal Business Policies

- 1) The examiners found seven violations of 38.2-502 of the Code of VA. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the earthquake premium on the declarations page as well as the age of dwelling discount.
  - a. We agree with the following review sheets, subject to below:
    - i. 1207927589
    - ii. 328037458
    - iii. 943163759
    - iv. 542472156
    - v. 1154832920

vi. 1564645613

**Comment:** The Bureau withdrew violations pertaining to the earthquake premium mentioned above. While we acknowledge a misprint on the dec page related to an age of dwelling discount, the error did not affect any coverages provided. The Virginia law cited above is clearly designed to address misrepresentation and false advertising. While it could be argued the statute applies to this situation based on strict construction, the result under these circumstances does not really align with the spirit of the statute.

2) The examiners found four violations of 38.2-1906 D of the Code of VA. The company failed to use the rules and/or rates on file with the Bureau.

- a. In two instances, the company failed to use the correct base and/or final rates.
  - i. Review sheet 505503480 = We respectfully disagree with this alleged violation. The rate was correctly applied to this homeowner policy. We are not required to file a rating sequence with the state.
  - ii. Review sheet 771571962 = We respectfully disagree with this alleged violation. The rate was correctly applied to this homeowner policy. We are not required to file a rating sequence with the state.

**NOTE:** VA § 38.2-1906 D requires insurers to only use rates filed with the Bureau. There is no allegation here that the rates were not filed. The premium difference between the policy and the examiner's calculations is only because the mathematical sequence used by the examiner differed from the sequence used by the company. Because only filed rates were used, and no statute or regulation requires the rates to be calculated in a certain sequence, there was no violation here. We request that this reported violation be withdrawn.

- b. In two instances, the company failed to use the correct public protection class.
  - i. Review sheet 1588031834 = We respectfully disagree with this alleged violation. The rates used in determining the premium for this policy are correct. The home is a PC 10 as defined in our state rating manual as it is located over 5 road miles from the responding fire department. The information entered by the agency was not used in determining the protection class to rate this risk. Instead, a more precise measurement using geocodes from our policy issuance system was utilized. We have provided the Bureau with simple driving directions, attached and marked as **Exhibit C**, supporting the distance from risk location to the closest fire department. We request that this reported violation be withdrawn.
  - ii. Review sheet 2034575560 = agreed. Note that this was a mistake that resulted in no material change. It involves a distinction without a difference. While technically an error, this did not present an adverse impact on the policyholder.

## Commercial Automobile New Business Policies

- (1) The examiners found one violation of § 38.2-305 of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute.

The company agrees with this violation regarding form CA-0268 and we have corrected our forms list.

- (2) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination.

We respectfully disagree with this alleged violation. The examiners were provided with complete access to each and every one of our electronic files. Whenever the examiners had difficulty with finding certain documents, we promptly located and provided the documents to them. With respect to Review Sheet 2080927080, the examiner could not find an auto declaration page in the system so we uploaded it to the iBackup website where it still remains in the Company Responses folder, document titled 09-23-14(1). We have also attached it hereto and marked it as **Exhibit D**. We request that this reported violation be withdrawn.

- (3) The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In three instances, the company failed to use the correct classification factor.

We respectfully disagree with multiple alleged violations regarding Private Passenger Type (PPT) vehicle rating within commercial policies. While we file independently of ISO, our rule is essentially the same. ISO does not specifically show a 1.00 factor for the 7398/7391 classifications. The VA exception page also does not show a 1.00 factor for those classifications. The only factors shown are those that apply/deviate from the page rates when the criteria (driver age/use) to receive such factors are met. So the classification factors shown on page CA-30 have specific defined situations when they would apply. If these criteria are not met, the standard 7391 or 7398 classifications apply, for which the rate pages (CA-R-1 through CA-R-32) have base rates to be used at an implied 1.00 factor. The credit/debit (deviated) class factors only apply in situations as defined in rule 11 C/D for classifications 7381, 7382, 7383, 7386, 7387, 7388, 7392, 7393, and 7394. With our response, we are attaching page CA-30 with highlighted wording indicating that the factors only apply in specific situations. We are also attaching ISO Countrywide rules 31 and 32, along with the ISO VA exception page. See **Exhibit E**. Even if the classification was applied incorrectly, which it was not, it is unreasonable for the Bureau to then calculate return premium by assuming that the lowest rated class and factor would apply. We ask that these reported violations be withdrawn from the report.

- b. In three instances, the company failed to document the characteristics that support the individual risk premium modification (IRPM) factor that was applied to the policy.

We agree with this violation. We have reiterated to our underwriters the need to properly document individual risk premium (IRPM) modifications.

### **Commercial Automobile Renewal Business Policies**

(1) The examiners found three violations of § 38.2-305 of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute.

a. In two instances, the company included information that was not applicable to the policy.

We respectfully disagree with this alleged violation regarding the use of form AA265. The insured in this case resides in Washington D.C. and had vehicles garaged in Washington D.C., as well as in Maryland and Virginia. The AA265 is required as a result of the vehicles garaged in Washington D.C., per the attached manual documentation that is marked **Exhibit F**. We request that this reported violation be withdrawn.

We agree with this violation regarding the Broad Form Drive Other Car (BFDOC) class code. Note that although the incorrect code (6679) was erroneously shown on the declarations page, the coverage was actually rated correctly using the correct class code of 9020. This is another example of a minor error that did not adversely impact the Virginia consumer.

b. In one instance, the company failed to list applicable forms on the declarations page.

We agree with this violation regarding the omission of form CA-0268. Our forms list has been corrected.

(2) The examiners found 12 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

a. In nine instances, the company failed to use the correct classification factor.

We respectfully disagree with these alleged violations regarding Private Passenger Type (PPT) vehicle rating within commercial policies for the same reason stated under the Commercial Auto New Business section (3)(a), and we ask for these reported violations to be removed from the report.

b. In one instance, the company failed to use the correct base and/or final rates.

We agree with this violation regarding a minimum premium resulting in a \$30 overcharge. However, we disagree that there was a \$130 overcharge.

c. In one instance, the company failed to use the correct experience credits.

We respectfully disagree with this alleged violation regarding use of an incorrect experience modification factor. The insured in this case resides in Washington D.C. and had vehicles garaged in Washington D.C. Therefore, the Washington D.C. rules and

rates, including the Washington D.C. experience rating rule (a .69 factor), were correctly applied. We request that this reported violation be withdrawn.

- d. In one instance, the company failed to document the characteristics that support the IRPM factor that was applied to the policy.

We agree with this violation. We have reiterated to our underwriters the need to properly document individual risk premium (IRPM) modifications.

### **Commercial Property and Liability New Business Policies**

- (1) The examiners found four violations of § 38.2-304 of the Code of Virginia. The company used a binder for longer than the 60 days of the effective date that is permitted under the statute.

We agree with this violation regarding use of a binder beyond 60 days. We have reiterated to the underwriting staff that coverage cannot be bound over 60 days and that policies must be issued within 60 days of the binding/effective date.

- (2) The examiners found 22 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In one instance, the company failed to use the correct discounts and/or surcharges.

We respectfully disagree with this alleged violation regarding use of a filed deviation. The deviation applies to our Fitness and Recreation Program (GL). It is our understanding that the examiners could not access the online manual page, so we provided a physical copy along with the Fitness and Recreation Questionnaire previously provided, attached and marked **Exhibit F**. We request that this reported violation be withdrawn.

- b. In six instances, the company failed to use the correct base and/or final rates.

We agree with these violations involving errors in a terrorism rate, a special events rate and use of Limits of Insurance (LOI) off-balance factors. We will file for use of ISO's off-balance factors until we can get the LOI rating system programmed.

- c. In two instances, the company failed to use the correct construction type.

We agree with these violations involving errors in building construction type. The reality is that these particular situations were ambiguous. We do the best we can with the information available from the agent, ISO and any inspections. Ultimately, we select the option that inures to the benefit of our policyholder.

- d. In five instances, the company failed to use the correct public protection class.

We agree with these violations involving errors in public protection class (PPC). Again, these particular situations were ambiguous. We do the best we can with the information

available from the agent, ISO and any inspections. Ultimately, we select the option that inures to the benefit of our policyholders.

- e. In two instances, the company failed to use the correct occupancy class.

We agree with these violations involving errors in risk occupancy class. Underwriters have been instructed to carefully check occupancy classifications.

- f. In two instances, the company failed to use the correct package modification factors.

We agree with these violations involving the failure to apply package modification factors (PMF) to the appropriate line of business. Underwriters have been instructed to carefully ensure that the proper PMF is applied.

- g. In three instances, the company failed to document the characteristics that support the IRPM factor that was applied to the policy.

We agree with this violation and we have reminded our underwriters to properly document individual risk premium (IRPM) modifications.

- h. In one instance, the company failed to use its filed rounding rule.

We agree with this violation involving a rounding error.

### **Commercial Property and Liability Renewal Business Policies**

The examiners found 30 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In four instances, the company failed to use the correct base and/or final rates.

We agree with these violations. We have reminded underwriters to exercise greater care in selecting the proper rate/rate class. We will file for use of ISO's off-balance factors until we can get the LOI rating system programmed.

- b. In one instance, the company failed to follow its filed minimum premium rule.

We agree with this violation.

- c. In two instances, the company failed to use the correct construction type.

We agree with these violations involving errors in building construction type. Similar to other similar violations, these risks were ambiguously described in one or more ways. We do the best we can with the information available from the agent, ISO and any inspections. Ultimately, we select the option that inures to the benefit of our policyholder.

- d. In ten instances, the company failed to use the correct public protection class.

We agree with these violations involving errors in public protection class (PPC). These situations again involve risks that were ambiguously described in one or more ways. We do the best we can with the information available from the agent, ISO and any inspections. Ultimately, we select the option that inures to the benefit of our policyholder.

- e. In two instances, the company failed to use the correct occupancy class.

We agree with these violations involving errors in risk occupancy class. Underwriters have been reminded to carefully check occupancy classifications.

- f. In two instances, the company failed to use the correct package modification factors.

We agree with these violations involving the failure to apply package modification factors (PMF) to the appropriate line of business. Underwriters have been reminded to carefully ensure that the proper PMF is applied.

- g. In three instances, the company failed to use the correct IRPM factor.

We agree with these violations. We have reiterated to our underwriters the need to properly document individual risk premium (IRPM) modifications.

- h. In six instances, the company failed to document the characteristics that support the IRPM factor applied to the policy.

We agree with these violations. We have reiterated with our underwriters the need to properly document individual risk premium (IRPM) modifications.

## **TERMINATION REVIEW**

### **All Other Cancellations – Private Passenger Automobile Policies**

#### **Requested By The Insured**

- 1) The examiners found three occurrences where the company failed to comply with the provisions of the contract. The company failed to abide by the termination provisions requiring advance request for insured initiated cancelation.

- a. We disagree with the following review sheets:

- i. 797688007
- ii. 2038672636
- iii. 57683891

The issue here is that we backdated the cancellation effective date in order to minimize any remaining earned premium obligations. First, this is done for the benefit of the policyholder who has already obtained insurance elsewhere. By backdating the cancellation date, we are saving the policyholder from paying premium to multiple insurers for the same period. Second, there is no reason why we cannot waive a right to enforce a particular policy condition or provision. We chose in these

situations not to enforce a right to require advance written notice. Nothing herein constitutes either a violation of Virginia law or a breach of contract. We request that this reported violation be withdrawn.

## **Company Initiated Cancellations – Homeowners Policies**

### **Notice Mailed After the 89<sup>th</sup> Day of Coverage**

- 1) The examiners found two violations of 38.2-2114 A of the Code of VA. The company canceled a policy insuring an owner-occupied dwelling after the 89<sup>th</sup> day of coverage for a reason not permitted by the statute.
  - a. We agree with review sheets:
    - i. 2076325686
    - ii. 1933963765

## **Commercial Automobile Policies**

- (1) The examiners found four violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

We respectfully disagree with these alleged violations with respect to incorrectly calculating return premium. The correct amounts were returned based on what was paid. The discrepancies indicated by the examiners include future installment premiums that had not yet been paid. The billings showing same for each file were provided and have been attached hereto and marked **Exhibit H**. The point here is that installment payments to be made in the future cannot possibly be included in a return premium calculation. We request for the removal of these violations from the report.

- (2) The examiners found two occurrences where the company failed to comply with the provisions of the contract. The company failed to obtain advance written notice of the request for cancellation from the insured.

We respectfully disagree with these alleged violations. The policy condition requires an insured who desires to cancel to provide advance notice. Such condition does not prohibit the company from accommodating an insured's request to backdate the date of cancellation when coverage is either no longer needed or has already been placed elsewhere. As stated above, we make these accommodations for the benefit of Virginia consumers. Nothing herein constitutes either a violation of Virginia law or a breach of contract. We request for the removal of these violations from the report.

## **Commercial Property and Liability Policies**

- (1) The examiners found six violations of § 38.2-231 F of the Code of Virginia. The company failed to provide proof of mailing the notice of cancellation to the lienholder.

The summary shows a total of five (not six) such violations. We agree with one of these (9339). This one was issued by an agency and we were not provided with a copy. We respectfully disagree with the other four alleged violations (2 on 1073 and 2 on 1647) on the basis that notices were delivered to the lienholders and copies and proof of mailing were provided to the examiners. See attached and marked **Exhibit I**. So we request for the removal of these violations from the report.

- (2) The examiners found seven violations of § 38.2-317 A of the Code of Virginia. The company failed to obtain advance written notice of cancellation from the insured.

We respectfully disagree with these alleged violations. The policy condition requires an insured who desires to cancel to provide advance notice. Such condition does not prohibit the company from accommodating an insured's request to backdate the date of cancellation when coverage is either no longer needed or has already been placed elsewhere. As stated above, we make these accommodations for the benefit of Virginia consumers. Moreover, 38.2-317 requires policy forms to be filed. There was no allegation that our form was not properly filed. Nothing herein constitutes either a violation of Virginia law or a breach of contract. We request that this reported violation be withdrawn.

- (3) The examiners found seven violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

The summary shows a total of six (not seven) such violations. On one (5604), we agree that there was a \$15 undercharge. On the other five (1168, 9524, 0856, 6178 & 5746), we respectfully disagree with the alleged violations for incorrectly calculating return premium, based on either future installment premiums not yet paid or flat cancellations. The important part here is that correct amounts were returned based on what was paid. The discrepancies indicated by the examiners include future installment premiums that had not yet been paid or flat cancellations involving premium that was never paid. The billings showing same for each file were provided and are attached hereto as **Exhibit J**.

- (4) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to honor the cancellation date requested by the insured.

We agree with this violation where we used an incorrect cancellation date (23<sup>rd</sup> instead of 28<sup>th</sup> of the month).

### **Private Passenger Automobile Claims, Commercial Automobile Claims and Homeowner Claims**

The examiners found 12 violations of 14 VAC 5-400-40(A) under the Private Passenger Automobile Claims section; 14 violations of 14 VAC 5-400-40(A) under the Commercial Automobile Claims section; and 2 violations of 14 VAC 5-400-40(A) under the Homeowners Claims section. The report states that the company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance

contract that were pertinent to the claim. The findings in both sections occurred with such frequency as to indicate a general business practice.

We respectfully disagree with all of these alleged violations on the basis that there is no indication in any of these files that information was knowingly obscured or concealed. While the Bureau did not include "knowingly" above, it is included in the regulation. The purpose of including the word "knowingly" in this regulation is to ensure it is treated like a specific intent offense which requires a specific state of mind, along with a physical act or failure to act. In other words, a violation does not occur unless the requisite state of mind is established. In these circumstances, specific intent to obscure or conceal information from first party claimants could be established in claim file notes indicating a plan or intent to deceive. Mere oversight is clearly not sufficient to declare a violation of a specific intent regulation. The fact that a claim representative forgot to discuss a particular coverage or benefit with a first party claimant, or at a minimum failed to document the discussion, cannot then be used to spring a conclusion that the claim representative must have knowingly obscured or concealed such information.

We request that all violations related to 14 VAC 5-400-40(A) be withdrawn from the report.

## **Review of Forms**

### **Commercial Automobile Policy Forms**

#### **POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The company provided copies of 235 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found two violations of § 38.2-2220 of the Code of Virginia. The company used a version of a standard automobile form that was not in the precise language filed and adopted by the Bureau. We agree with violations regarding forms IL0918 and CA2301. These forms have already been corrected.

## **Review of Policy Issuance Process**

### **Automobile Policies**

#### **New Business Policies**

- 1) The examiners found two violations of 38.2-610 A of the Code of VA. The company charged a higher rate based upon information different from that which the applicant furnished on the application for insurance and failed to send the insured an AUD notice.
  - a. Review sheet 1427211354 = We respectfully disagree with this alleged violation. There was simply a glitch that prevented the insured's coverage selection from appearing on the application. The coverage in question was discussed with the insured by the agent. We provided documentation to the Bureau of the agent's quote to the insured that included coverage for medical payments. Additionally, this was new business for us but not new to the agency, and the expiring policy

also included medical payments coverage as the vast majority of automobile policies do. There was no reason whatsoever for an AUD notice to be issued. It simply doesn't apply under these circumstances. We request that this reported violation be withdrawn.

- b. Review sheet 2055397421 = We respectfully disagree with this alleged violation. The insured in this case purchased the CPA1419VA which includes a \$150 charge for towing and labor coverage. While the charge did not appear on the application, the coverage was selected by the insured's agent from the outset. Again, there was no reason for an AUD notice to be issued under these circumstances. We request that this reported violation be withdrawn.

### **Renewal Business Policies**

- 1) The examiners found three violations of 38.2-305 B of the Code of VA. The company failed to provide the Important Information to Policyholders notice.
  - a. We agree with review sheets:
    - i. 1557101640
    - ii. 206358048
    - iii. 478149896

### **Review of Statutory Notices**

#### **General Statutory Notices**

The examiners found one violation of § 38.2-1906.1 of the Code of Virginia. The company failed to have available for use the Misquote of Premium notice.

The company respectfully disagrees with this alleged violation. The statute does not require a certain form to be provided. Rather, it provides direction on how to calculate earned premium in a situation where the policyholder cancels after being notified that total premium will be 10% or greater than the quoted premium. If we failed to calculate and collect the earned premium correctly, we would be in violation of 38.2-1906.1. We request that this reported violation be withdrawn.

#### **Statutory Property Notices**

The examiners found three violations of § 38.2-2125 of the Code of Virginia. The company failed to include all of the information required by the statute in its Flood Exclusion notice.

We respectfully disagree with this alleged violation. The company form MI1646VA (9/04) is sent with all Homeowner and Dwelling policies and includes each of the statute's disclosure requirements.

We agree with the violation for commercial policies and have revised forms IB459VA, IA 4200VA and FA4006VA.

## **Licensing and Appointment Review**

### **Agency**

The examiners found one violation of 38.2-1812 of the Code of Virginia. The company paid commissions to an agency not duly appointed within 30 days of the date of application.

We disagree with this violation pertaining to review sheet AgtAGY-2119019877. The agency was licensed and appointed and merely used an alias name (DBA). In 1996 when we appointed Slemp-Brant and Associates, Inc., we entered into the attached Agency Agreement. An Addendum in 2005 indicates that the agency name was changed to Slemp Brant Saunders and Associates, Inc. In 2011, another Addendum to the contract reflects how the parties agreed that insurance could be marketed and sold through a branch office that would be identified as Slemp Brant Saunders and Associates dba Lebanon Insurance Agency. See attached documents collectively marked as **Exhibit K**. No commissions were paid to Lebanon Insurance Agency. Thus, there was no violation of 38.2-1812. We request that this reported violation be withdrawn.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Rating and Underwriting, Termination, Forms, Policy Issuance, Statutory Notices and Licensing Review**

We have corrected the errors using criteria indicated on the files with the exception of the items that are still in dispute which we have identified elsewhere in our response until final disposition by the BOI. For those items which we agreed were overcharged as indicated in the restitution spreadsheet, we are providing the indicated restitution.

### **Claims Review**

(1-3) Underpayments to insureds and claimants have been issued as directed with the following exceptions:

- a. CCA001(ClaimVehCA350756108)
  - I. The review sheet indicated \$50.00 was owed to the insured. The restitution order indicated \$250.00 plus 6% simple interest. We issued a check for \$53.00, per the review sheet.
- b. CPA024(ClaimVehPPA-1835844200)

- I. The review sheet indicated medical bills in the amount of \$3,882.79 had not been paid and was owed to the insured. Check 112259360 was issued to the insured on 1/29/2015 for \$7,599.71. The check was for the \$3,882.79 owed plus additional medical bills totaling \$3,716.92. A separate check was issued to the insured for the 6% simple interest in the amount of \$232.97.

c.CHO010(ClaimPropHO1814077332)

- I. We made a compromise payment to the claimant for water extraction and denied liability to the claimant. The claimant was advised in written correspondence that we would not be making a liability payment for this loss. The claimant did not contest our denial.

(4-9) We will schedule training sessions with resident Virginia claims handlers and headquarters claims associates who handle Virginia claims by September 17, 2015 to discuss the results of the market conduct audit and what is needed to correct each of the deficiencies identified during the market conduct review. Each of these associates will be required to sign a statement that he/she attended the training session and understand the Virginia claims handling requirements. Each claims associate who handles Virginia claims will be provided a claims handling checklist to review during the claims handling process, and each manager will review claim files using the same checklist. Any deficiencies will immediately be addressed by the manager. Managers will review these requirements with their associates on an annual basis, and each associate will sign a statement confirming review and understanding of the requirements. The Cincinnati Insurance Companies Claims Audit Unit will conduct a quarterly audit of claims using a similar sample size as the Virginia auditors and will report the results to Claims Management. Claims Management will take all necessary steps to improve claims handling compliance if any issues are noted during self-audits.

## PART THREE – RECOMMENDATIONS

### Rating and Underwriting

- The company should avoid sending the Credit Adverse Action Notice to insureds with an ISM of T7 or better. We are only required to send the MI1785 when the ISM has an adverse effect on the premium.
  - We will begin the work to implement this.
- The company should reevaluate its homeowner app practices to ensure that only loss information from the insured is captured. Losses from the CLUE report belonging to the actual risk should not be displayed on the app.
  - This has been completed.

- The company should amend its Commercial Auto Rule 95 to include the UM coverage as an eligible coverage for the expense modification.

We respectfully disagree with the recommendation to amend Rule 95. Rule 77, Uninsured Motorists Insurance, reads "Except for expense modification the premium for this coverage is not subject to any further modification or rate plan." We may need to amend Rule 77 to include limitations regarding how the expense rule can be applied.

- The company should amend its Personal Homeowners Manual to include the premium calculation steps the company uses to calculate the Base Premium, Basic Annual Premium, and Optional Coverages.

We agree with the recommendation to include premium calculation steps and are working towards making the necessary revisions.

- The company should update their index to reflect the current pages in the Personal Homeowners Manual.

We respectfully disagree with the recommendation to update the index. We currently do not have a Homeowners index and do not intend to add one unless required by Virginia law.

- The company should consider filing a rule for insureds qualifying for T1 in that we would not need to rerun their score again.
  - This recommendation is under review.

## **Termination**

- The company should amend its form CA 02 68 12 05 if the company intends to calculate all return premiums pro rata.

We respectfully disagree with this recommendation. This is an ISO form we have adopted and cannot revise. However, the form is currently under review with the BOI as ISO is making revisions.

- The company should remove the right to review notice on cancelations within the first 60 days of coverage (the insured does not currently have that right).
  - We are currently determining the feasibility of this change.

## **Claims**

We will schedule training sessions with resident Virginia claims handlers and headquarters claims associates who handle Virginia claims by September 17, 2015 to discuss the observations made by the state of Virginia and their recommendations related to these deficiencies. Each of these associates will be required to sign a statement that he/she attended the training session and understand the Virginia claims handling requirements. Each claims associate who handles Virginia claims will be provided a claims handling checklist to review during the claims handling process and each manager will review claim files using the same checklist. Any deficiencies will immediately be addressed by the manager. The managers will

review these requirements with their associates on an annual basis and each associate will sign a statement confirming review and understanding of the requirements. The Cincinnati Insurance Companies Claims Audit Unit will conduct a quarterly audit of claims using a similar sample size as the Virginia auditors and will report the results to Claims Management. Claims Management will take all necessary steps to improve claims handling compliance if any issues are noted during self-audits.

### **Policy Issuance Process**

- The company should only list forms on the dec page in the section entitled "other coverages and endorsements". Notices should not be listed in this section of the dec page.
  - We agree and will implement this process.

### **Notices**

- The company should list the BOI's TDD number to the important notices.  
We agree with this recommendation and have revised AP403VA to include the TDD phone number.

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/boi>

September 29, 2015

**VIA UPS 2<sup>nd</sup> DAY DELIVERY**

Jim Brown  
Cincinnati Insurance Company  
Regulatory & Consumer Affairs  
6200 S. Gilmore Rd.  
Cincinnati, OH 45014-5141

RE: Market Conduct Examination  
Cincinnati Insurance Company (NAIC # 10677)  
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Brown:

The Bureau of Insurance (Bureau) has reviewed the August 25, 2015 response to the Preliminary Market Conduct Report (Report) of Cincinnati Insurance Company, (Company). The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## **PART ONE – THE EXAMINERS' OBSERVATIONS**

### **Rating and Underwriting Review**

#### **Private Passenger Automobile New Business Policies**

- (1a) The violation for RPA015 remains in the Report. The Company correctly applied the Youthful Policy Surcharge; however, it was applied to an incorrect vehicle. The Company's rules require youthful operators to be assigned to the vehicle that they principally operate. The vehicle principally operated by the youthful operator was vehicle 2.
- (1b) The violation for RPA001 remains in the Report. The underwriting manual filed with the Bureau does not specify a point value of "0" for 1997 and older model vehicles. The manual states ISO symbols are to be utilized, and the ISO symbol on file has a MEB symbol of 510 which applies a point value of 46.

#### **Homeowner New Business Policies**

(1) The violation for RHO012 remains in the Report. The Company responded that it is not required to file a rating sequence. Because the manner in which the factors can be combined is subjective (as the Company used two different methods) and can result in a vast difference in the premium developed, the Company is required to file a rating sequence. According to § 38.2-1906 A of the Code of Virginia, the Company is required to file all rates and supplementary information prior to use. The Bureau made a concession for the majority of the policies and did not cite the Company because the policies were consistently rated using the same rating sequence. For example, most of the policies in the sample used the following steps for applying the Preferred Risk and Alarm Credits:

- a. Subtotal: \$6316
- b. Preferred Risk Credit - .25, Demerit Charge - 0, Superior Risk Credit - 0, Dwelling Age Credit - 0, Dwelling Sprinkler Credit - 0, Secured Community Credit - 0, Automatic Water Shut-Off System Credit - 0, Earthquake Exclusion Credit - 0, Alarm Credit - .05 and Woodstove Surcharge - 0 = 30% Discount
- c.  $\$6316 * .70 \text{ Credit} = \$4421.20$  Subtotal after Credits

The Company rated RHO012 using the following sequence and this method generated a \$38.00 overcharge:

- a. Subtotal: \$6316
- b. Preferred Risk Credit - .25, Demerit Charge - 0, Superior Risk Credit - 0 = 25% Discount
- c.  $\$6316 * .75 \text{ Credit} = \$4737$
- d. Dwelling Age Credit - 0, Dwelling Sprinkler Credit - 0, Secured Community Credit - 0, Automatic Water Shut-Off System Credit - 0, Alarm Credit - .05, Woodstove Surcharge - 0, and Wood Roof Surcharge - 0 = 5% Discount
- e.  $\$4737 * .95 \text{ Credit} = \$4500.15$  - Subtotal after Credits

(2) After further review, the violation of RHO001 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

### **Homeowner Renewal Business Policies**

(1) The violations for RHO018, RHO019, RHO022, RHO027, RHO030, and RHO034 remain in the Report. Although the premium was not ultimately affected, the Company's declaration page did not accurately reflect the age of dwelling discount. All reference to earthquake premium has been removed from the Report.

(2a) The violations for RHO025 and RHO032 remain in the Report. The Company responded that it is not required to file a rating sequence. Because the manner in which the factors can be combined is subjective (as the Company used two different methods) and can result in a vast difference in the premium developed, the Company is required to file a rating sequence. According to § 38.2-1906 A of the Code of Virginia the Company is required to file all rates

and supplementary information prior to use. The Bureau made a concession for the majority of the policies and did not cite the Company because the policies were consistently rated using the same rating sequence.

- (2b) The violation for RHO030 remains in the Report. The Company has responded that the home is defined as a PC 10 because it is located over 5 road miles from the responding fire department. There is a discrepancy between the protection class and the supporting information for the protection class. The declaration page and Property Description page indicates that this home is "Within 2000 ft. from Hydrant", and Within 4 miles from Fire Department and the responding fire department is Troutville OPA"; however both documents also display a "Protection Class: 10". The protection class pages on file show this property as a split Protection Class of 6/9 and the fire hydrant and distance to the fire department support a Protection Class of 9. When the file information has conflicting information, the premium should be determined based upon what is most advantageous to the insured.

#### **Commercial Automobile New Business Policies**

- (2) After further review, the violation for RCA010 has been withdrawn from the Report. The Report has been renumbered to reflect this change.
- (3a) After further review, the violations for RCA003, RCA005, and RCA010 have been withdrawn from the Report.

#### **Commercial Automobile Renewal Business Policies**

- (1a) After further review, the violation for RCA011 has been withdrawn from the Report.
- (2a) After further review, the violations in this section have been withdrawn from the Report.
- (2c) The violation for RCA013 remains in the Report. The Company responded that the insured resides in Washington D.C. and had vehicles garaged in Washington D.C. Therefore, the Washington D.C. rules and rates are applicable. The declarations page provided by the Company shows the insured's address as Maryland with vehicles 16 through 20 garaged in Virginia. The Bureau used Virginia rules and rates to rate the five vehicles garaged in Virginia.

#### **Commercial Property and Liability New Business Policies**

- (2a) After further review, RCP025 has been withdrawn from the Report. This violation was cited because the Fitness & Recreation Questionnaire accessible to the examiner was blank when viewed in the Company's system. However, the Company has provided a completed copy of the Questionnaire

in Exhibit G and has attributed the issue to incorrect Adobe software loaded on the computer provided by the Company for the examiner's use.

- (2b) Please indicate when the Company intends to file ISO's off-balance factors with the Bureau.
- (2c) The Company has not indicated the steps it will take to ensure it obtains all the necessary information to accurately rate insurance policies in accordance with its filed rules.
- (2d) The Company has not indicated the steps it will take to ensure it obtains all the necessary information to accurately rate insurance policies in accordance with its filed rules.

### **Termination Review**

#### **Private Passenger Automobile Policies**

##### **Insured Requested Cancellations**

The violations for TPA022, TPA 023, and TPA034 remain in the Report. The Company's form requires advance written notice. If the Company wishes to waive advance notice and/or written notice, the Company should file a broadening endorsement with the Bureau.

##### **Commercial Automobile Policies**

- (1) The violation for TCA001 has been withdrawn from the Report.

The violation for TCA002 remains in the Report. This termination was an expiration. The insured did not pay the premium at renewal. The Company erroneously issued a non-pay cancellation notice effective 8/31/2013. The Company billed the insured for four months beyond the cancellation date including late fees of \$25.26 per month. Not only was the continued premium billing incorrect, the fees on file with the Bureau are \$25.00, not \$25.26. The insured eventually issued payment to the Company on 12/18/13 for \$1,785.04. The insured did not owe the Company premium or late fees.

The violation for TCA006 remains in the Report. The Company provided a billing record showing the insured's payment of \$137.00. Earned premium from 1/29/2013 – 4/15/2013 was \$114.00. The Company owes the insured \$23.00.

The violation for TCA008 has been withdrawn from the Report.

- (2) The violation for TCA007 remains in the Report. The Company backdated the cancellation date which is contrary to the policy provision requiring advance written notice.

The violation for TCA008 remains in the Report. The Company backdated the cancellation date which is contrary to the policy provision requiring advance written notice.

### **Commercial Property and Liability Policies**

- (1) The violations for TCP011 and TCP037 have been withdrawn from the Report.
- (2) The violations in this section have been withdrawn from the Report. The Report has been renumbered to reflect this change. The withdrawn violations have been rewritten under policy provisions. The Report has been changed to reflect these violations.
- (3) The violations for TCP002, TCP006, TCP007, TCP008, and TCP023 have been withdrawn from the Report.

### **Private Passenger Automobile Claims**

- (2) The violations in this section remain in the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Report is not written in a fashion that infers that the violations were either knowing or intentional. The Company has acknowledged that these were an oversight. The Report does state that the violations may have been an omission. The violations were committed with such frequency as to indicate a general business practice.

### **Commercial Automobile Claims**

- (2) The violations in this section remain in the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Report is not written in a fashion that infers that the violations were either knowing or intentional. The Company has acknowledged that these were an oversight. The Report does indicate that the violations may have been an omission. The violations were committed with such frequency as to indicate a general business practice.
- (3) The violation for CCA001 has been withdrawn from the Report. This violation was cited previously under review sheet number ClaimVehCA350756108.

### **Homeowner Claims**

- (2) The violations remain in this section of the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Report is not written in a fashion that infers that the violations were either knowing or intentional. The Company has acknowledged that these were an oversight. The Report does indicate that the violations may have been an omission. The

violations were committed with such frequency as to indicate a general business practice.

### **Automobile New Business Policy Issuance**

The violations for MPA002 and MPA 003 have been withdrawn from the Report.

### **General Statutory Notices**

The violation for NGS002 remains in the Report. Section 38.2-1906.1 of the Code of Virginia requires that the insured be allowed to request cancellation due to an increase of 10% or more. Without this notice, the insured is not aware of this right.

### **Statutory Property Notices**

- (2) The violations for NSP003, NSP004, and NSP005 remain in the Report. The Company provided the three notices in response to the Data Call. These notices were available for use during the examination period and did not include all of the information required by the statute.

### **Licensing and Appointment Review**

#### **Agency**

The violation for AY039 remains in the Report. The agency of record, Lebanon Insurance Agency, is not a registered alias of Slemp Brant Saunders and Associates Inc. Slemp Brant Saunders and Associates Inc has four aliases on record with the Bureau of Insurance; however, Lebanon Insurance Agency is not one of them. If the aforementioned agency is doing business as Lebanon Insurance Agency, then the agency must register same with the Bureau of Insurance.

## **PART TWO – CORRECTIVE ACTION PLAN**

#### **General**

The Company should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

#### **Rating Review**

- (1) The company should make restitution on RCP012. Review sheet R&UNBCPL 1408368898 related to an undercharge. Please see review sheet R&UNBCPL 1635991768 relating to the overcharge on this policy.

The Company should make restitution on RCA013. The Restitution Spreadsheet has been amended to reflect the changes in the Report.

The Company did not make restitution for RCP026. The Company stated it disagreed with the restitution amount of \$929.62 in the Company's Restitution Spreadsheet. However, the Company did not disagree with the violations cited in Part One of the Report. The Company should address its dispute in response to the Revised Report and provide supporting documentation. The review sheets originally provided to the Company incorrectly stated the overcharge was \$861.00. The examiner has revised the overcharge review sheet to reflect the actual overcharge of \$877.00, which resulted in the net restitution of \$929.62.

The Company did not make restitution for RCP031. The Company stated it was in dispute with this item. However, the Company did not disagree with the violations cited in Part One of the Report. The Company should address its dispute in response to the Revised Report and provide supporting documentation.

The Company did not make restitution for RCP048. The Company stated it disagreed with the restitution amount of \$931.00 in the Company's Restitution Spreadsheet. However, the Company did not disagree with the violations cited in Part One of the Report. The Company should address its dispute in response to the Revised Report and provide supporting documentation.

The Company did not make restitution for RCP055. The Company stated it disagreed with the restitution amount of \$536.00 in the Company's Restitution Spreadsheet. However, the Company did not disagree with the violations cited in Part One of the Report. The Company should address its dispute in response to the Revised Report and provide supporting documentation.

## **Claims**

- (1) The Restitution Spreadsheet has been revised to reflect the correct underpayment for CCA001.

The Restitution Spreadsheet has been updated to include the check issued by the Company on CPA024 relative to the violation.

The restitution amount on CHO010 remains. The Company should provide evidence of the subsequent contact and payment to the claimant including documentation of the claimant's agreement to a compromised settlement.

## PART THREE – RECOMMENDATIONS

### Rating and Underwriting

- The Company should amend its Commercial Auto Rule 95 to include the UM coverage as an eligible coverage under Expense Considerations.
- The current Personal Homeowners Manual on file with the Bureau includes an Index (State Tracking #: 012-0000015601-2) that does not correspond to the current pages in the Manual. The Company is not required to file an Index but all of the pages in the Manual on file with the Bureau should be current. The Company must amend the Index or file to withdrawn the Index from its Manual.

### Termination

- The Bureau acknowledges that form CA 02 68 12 05 is a standard form, but the Company must file an amendment to the policy provision if it wishes to calculate all return premiums for Commercial Automobile Insured Requested Cancellations on a pro rata basis.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, the Restitution Spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by October 16, 2015.

Sincerely,

Joy M. Morton  
Supervisor  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

Enclosures

## Virginia Market Conduct Examination

Executive Summary to Responses of The Cincinnati Insurance Company (NAIC #10677)

Conference call of September 9, 2015

### **1) Rating and Underwriting Review - Commercial Auto New Business and Commercial Auto Renewal Business**

The preliminary report includes a number of violations of § 38.2-1906 D of the Code of Virginia, which pertains to compliance with rate filings. Twelve of those violations allege failure to use the correct classification factor (pg. 10 of report).

While we file independently of ISO, our rule is essentially the same. ISO does not specifically show a 1.00 factor for the 7398/7391 classifications. The VA exception page also does not show a 1.00 factor for those classifications. The only factors shown are those that apply/deviate from the page rates when the criteria (driver age/use) to receive such factors are met. So the classification factors shown on page CA-30 have specific defined situations when they would apply. If these criteria are not met, the standard 7391 or 7398 classifications apply, for which the rate pages (CA-R-1 through CA-R-32) have their own rates. Since classes 7391 and 7398 do not have additional, separate filed factors, no additional rate factors apply. The additional credit/debit (deviated) class factors only apply in situations as defined in rule 11 C/D for classifications 7381, 7382, 7383, 7386, 7387, 7388, 7392, 7393, and 7394.

We attached to our responses page CA-30 with highlighted wording indicating that the factors only apply in specific situations. We also attached ISO Countrywide rules 31 and 32, along with the ISO VA exception page. Even if the classification was applied incorrectly, which it was not, it is unreasonable for the Bureau to then calculate return premium by assuming that the lowest rated class and factor would apply.

### **2) Rating and Underwriting Review – Homeowner New Business**

The preliminary report includes a violation of § 38.2-2126 E of the Code of Virginia for using credit information that was obtained more than 90 days from the new business policy's effective date (pg. 8 of report) First, no adverse action was taken as a result of obtaining the credit information. Rather, the insured benefitted by the application of an insurance score credit as documented on the dec page. Second, we have provided documentation showing that the National Credit File Report with the insurance score was received on 8/14/2013. The policy effective date was 82 days later on 11/4/2013.

### 3) Rating and Underwriting Review – Homeowner Renewal Business

The preliminary report includes two violations of § 38.2-1906 D of the Code of Virginia for failing to use the correct public protection class (pg. 9 of report). One of these policies, addressed on Review Sheet 1588031834, is a home categorized as a PC 10, as defined in our state rating manual, because it is located over 5 road miles from the responding fire department. The information entered by the agency was not used in determining the protection class to rate this risk. Instead, a more precise measurement using geocodes from our policy issuance system was utilized. We provided the Bureau with simple driving directions that were also attached to our final responses, supporting the distance from risk location to the closest fire department.

We would like to point out that the other violation, addressed on Review Sheet 2034575560, involved a misapplication on our part but did not produce a material change. In other words, while technically an error, this did not present an adverse impact on the policyholder. Similar violations are included in the report for many situations where we may have ultimately chosen an incorrect construction type or protection class based on incomplete field information, but the incorrect selection did not have an adverse impact on the policyholder. In other words, the rate that was applied benefitted the policyholder

### 4) Termination Review

- (a) The preliminary report includes five violations of the cancellation provisions of the policies (3 personal auto; 2 commercial auto), specifically with respect to the company's failure to require advance written notice of a cancellation requested by the policyholder (pgs. 13, 15). All of the alleged violations inure to the benefit of the policyholders.

The issue here is that we backdated the cancellation effective date in order to minimize any remaining earned premium obligations. First, this is done for the benefit of the policyholder who has already obtained insurance elsewhere. By backdating the cancellation date, we are saving the policyholder from paying premium to multiple insurers for the same period. Second, there is no reason why we cannot waive a right to enforce a particular policy condition or provision. We chose in these situations not to enforce a right to require advance written notice. Nothing herein constitutes either a violation of Virginia law or a breach of contract.

- (b) The report includes four violations of § 38.2-1906 D for failing to calculate earned premium correctly on policies cancelled at the request of policyholders (commercial auto) (pg. 15). The correct amounts were returned based on what was paid. The discrepancies indicated by the examiners include future installment premiums that had not yet been paid. The examiner cited lack of billing information which we

subsequently provided. Billing information was attached again with our response. We have tried to emphasize that installment payments to be made in the future cannot possibly be included in a return premium calculation.

The summary also shows a total of six (not seven) such violations for commercial property and liability policies (pg. 16). On one (5604), we agree that there was a \$15 undercharge. On the other five (1168, 9524, 0856, 6178 & 5746), we respectfully disagree with the alleged violations for incorrectly calculating return premium, based on either future installment premiums not yet paid or flat cancellations. The important part here is that correct amounts were returned based on what was paid. The discrepancies indicated by the examiners include future installment premiums that had not yet been paid or flat cancellations involving premium that was never paid. The examiner cited lack of billing information which we subsequently provided. Billing information was attached again with our response.

- (c) The report includes six violations of § 38.2-231 F for failing to provide proof of mailing the notice of cancellation to the lienholder (pg. 16). First, the summary shows a total of five (not six) of such violations. Second, we agree with 9339. Third, we disagree with the other four violations on the basis that notices were, in fact, delivered to the lienholders and copies and proof of mailing have been provided.
- (d) The report includes seven violations of § 38.2-317 on pg. 16. This statute requires policy forms or endorsements to be filed prior to use. The report, however, states the company violated this statute for failing to obtain advance written notice of cancellation from the insured. In other words, the alleged violation and the statute cited do not coincide. Nonetheless, the policy condition does not prohibit the company from accommodating an insured's request to backdate the date of cancellation when coverage is either no longer needed or has already been placed elsewhere. We make these accommodations for the benefit of Virginia consumers. Nothing herein constitutes either a violation of Virginia law or a breach of contract.

## **5) Claims – Private Passenger Auto, Commercial Auto, and Homeowner**

The examiners found 12 violations of 14 VAC 5-400-40(A) under the Private Passenger Automobile Claims section; 2 violations of 14 VAC 5-400-40(A) under the Commercial Automobile Claims section; and 2 violations of 14 VAC 5-400-40(A) under the Homeowners Claims section (pgs 16-24). The report states that the company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim. The findings in both sections occurred with such frequency as to indicate a general business practice.

While the Bureau did not include the word “knowingly” in the report, it is included in the regulation. There is no indication in any of these files that information was knowingly obscured or concealed. A violation of this regulation does not occur unless the requisite state of mind is established. In these circumstances, specific intent to obscure or conceal information from first party claimants would need to be established in claim file notes indicating a plan or intent to deceive. Mere oversight is clearly not sufficient to declare a violation of a specific intent regulation.



The Cincinnati Insurance Company ■ The Cincinnati Indemnity Company  
The Cincinnati Casualty Company ■ The Cincinnati Specialty Underwriters Insurance Company  
The Cincinnati Life Insurance Company

October 16, 2015

Joy M. Morton  
Supervisor  
Market Conduct Section  
Bureau of Insurance

Dear Ms. Morton,

This confirms receipt of your modified preliminary report on the market conduct examination of The Cincinnati Insurance Company, dated September 29, 2015. In addition to what is stated below, we restate, reaffirm and incorporate herein by reference the responses and positions set forth in a document uploaded on August 25, 2015, to the IBackup website and contained within a folder marked, Exam Report Company Response. Exhibits supporting our responses have also been provided.

Under the Commercial Property and Liability New Business Policies section of Part One, regarding the filing of ISO off-balance factors, this was submitted to the bureau on 9/15/2015 for a 1/1/16 effective date. This is still pending with the Bureau. Regarding our corrective actions referenced in 2c and 2d of this section, all of our VA underwriters and underwriting managers have been involved in this audit process. They have been involved in researching and resolving these issues which surfaced during the audit. Thus, they are keenly aware of the types of rating errors that were uncovered and have been reminded about the importance of meticulously reviewing applications and endorsement requests to ensure full and complete compliance with our filings. We will also be periodically conducting our own internal reviews to ensure that the appropriate training and focus is being emphasized and to also identify any lingering issues.

Under the Commercial Automobile Policies section of Part One, relative to (1) specifically, on 9/15/2015 and 10/1/2015 we emailed to you the additional information you requested in our 9/9/2015 conference call for TCA002 and TCA006.

Under the headings of Private Passenger Automobile Claims, Commercial Automobile Claims and Homeowner Claims on pgs. 5-6, the Bureau states, "The Report is not written in a fashion that infers that the violations were either knowing or intentional." The alleged violations under these sections are described in further detail in the amended preliminary report on pgs. 16-23. Numbered paragraph (2) under each section (Private Passenger Auto Claims on p. 16; Commercial Automobile Claims on p. 19; and Homeowners Claims on p 21) is identical except for the number of violations stated. The paragraph states:

The examiners found (x)<sup>1</sup> violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

14 VAC 5-400-40, **Misrepresentation** of policy provisions, states as follows:

- A. No person shall **knowingly obscure or conceal** from first party claimants, **either directly or by omission**, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent to a claim (emphasis added).

The Bureau states in its transmittal letter under each section on p. 5. that "...the violations may have been an omission." While the aforementioned statute may include omissions, the omissions must be connected with knowingly obscuring or concealing something. It would be an unreasonable and illogical interpretation of this regulation to conclude that an omission does not require the mental state of "knowingly". Such an interpretation would also require the implausible conclusion that the Bureau intended to separate the notions of "knowingly obscuring" and "unknowingly concealing".

Turning to the draft report, the Bureau alleges a total of 16 violations of 14 VAC 5-400-40 when, as the Bureau admits, there is no evidence or indication in any of these claim files that the company "knowingly obscured or concealed" information from its policyholders. Even though the Bureau has alleged violations of this statute against various insurers over many years, we can only assume that those violations were rooted in intentional misconduct. We ask again that the violations alleged under these sections be removed from the report.

Under Part Two – Corrective Action Plan, Rating Review, the overcharge referenced for RCP012 was changed to an undercharge by the examiner on Review Sheet R&UNBCPL1635991768.

In the same section regarding RCP026, RCP031, RCP048 and RCP055 the Bureau stated that the Company did not disagree with the violations cited in Part One of the Report. We disagreed with the amount of undercharges cited by the examiners cited on the Restitution Spreadsheet. Part One of the report does not list undercharges for each violation separately so we addressed the amounts for each of these on their respective lines on the Restitution Spreadsheet.

Under the Claims section regarding CHO010, we have reviewed this claim again. We sent a denial letter to the claimant on December 9, 2013 and a subsequent letter to the claimant on March 21, 2014 advising we believed liability on the part of our insured to be questionable, but in an effort to compromise we would agree to pay for additional remediation expenses. The claimant neither disputed our position on liability nor

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<sup>1</sup> x = 12 violations for Private Passenger Automobile Claims; 2 violations for Commercial Automobile Claims; and 2 violations for Homeowners Claims.

provided us with any additional remediation expenses for payment consideration. We have attempted to contact the claimant via telephone and by mail to inquire about whether she incurred any additional expenses associated with this claim. If the claimant decides to provide us with the requested documentation, we will issue payment plus simple interest as prescribed by the Commonwealth of Virginia. If there were no additional expenses, we will memorialize that fact with a letter to the claimant. We will provide the Commonwealth of Virginia with the documented resolution.

Sincerely,



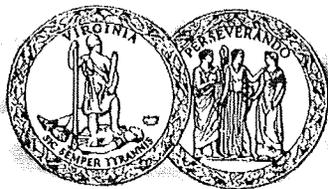
Thomas C. Hogan  
Vice President and Corporate Counsel



Jim Brown  
Compliance Manager

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/boi>

November 13, 2015

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Jim Brown  
Cincinnati Insurance Company  
Regulatory & Consumer Affairs  
6200 S. Gilmore Rd.  
Cincinnati, OH 45014-5141

RE: Market Conduct Examination  
Cincinnati Insurance Company (NAIC # 10677)  
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Brown:

The Bureau of Insurance (Bureau) has reviewed the October 16, 2015 response to the Revised Market Conduct Report (Report) of Cincinnati Insurance Company, (Company). The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

### PART ONE – THE EXAMINERS' OBSERVATIONS

#### Rating and Underwriting Review

##### Private Passenger Automobile

The Company has failed to provide evidence that the restitution for RPA001, RPA002, RPA012 and RPA037 has been made and has further failed to indicate the reasons the restitution has not been paid.

##### Homeowner

The Company has failed to provide evidence that the restitution for RHO012, RHO025, RHO030 and RHO032 has been made and has further failed to indicate the reasons the restitution has not been paid.

### **Commercial Automobile New Business**

- (2) The classification factor violation for RCA003 was withdrawn from the Report; however, the violation for failing to document the IRPM characteristics for the surcharge applied is still an active violation in the Report and resulted in an overcharge that should be refunded to the insured.

### **Commercial Automobile Renewal Business Rating and Underwriting**

- (2b) The Company has indicated in the restitution spreadsheet that a check was requested for RCA013. Has the check been issued?
- (2c) The Company has indicated in the restitution spreadsheet that it is in dispute on the violation for RCA015. The violation for failing to use the correct classification factor has been withdrawn and the only remaining violation is for failing to apply the documented IRPM. The Company should make the restitution applicable to this violation.

### **Commercial Property and Liability New Business**

- (2b) The Bureau acknowledges the Company's actions to correct the off-balance factors.
- (2c) The only premium bearing violation that is still active for RCP012 is for failing to use the correct public protection classification. The Company should make the outstanding restitution for this violation.
- The Bureau acknowledges the Company's training and internal auditing plan to ensure the accurate rating of policies using its filed rules.
- (2d) The Bureau acknowledges the Company's training and internal auditing plan to ensure the accurate rating of policies using its filed rules.

### **Commercial Property and Liability Renewal Business**

- a. After further review the violation for RCP026 has been withdrawn from the Report.
- d. After further review the violation for RCP031 has been withdrawn from the Report.
- The violation for RCP048 has been amended to a protection class 5. The overcharge has been adjusted to reflect this change.
- After further review the violation for RCP055 has been withdrawn from the Report.

- f. After further review the violation for RCP031 has been withdrawn from the Report.

### **Termination Review**

#### **Private Passenger Automobile**

#### **Insured Requested Cancellations**

The violations for TPA022, TPA023, and TPA024 have been withdrawn from the Report.

#### **Commercial Automobile Policies**

- (1) After further review the violation for TCA002 has been withdrawn from the Report.
- After further review the violation for TCA006 has been withdrawn from the Report.
- (2) After further review the violations for TCA007 and TCA008 have been withdrawn from the Report.

#### **Commercial Property and Liability Policies**

- (3) This violations for TCP002, TCP005, TCP007, TCP020, TCP025, TCP026, and TCP036, have been withdrawn from the Report.

#### **Private Passenger Automobile Claims**

- (2) The violations in this section remain in the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Company and its representatives must **know** the requiremets of the Claims Regulations when adjusting claims. The Regulation requires the Company to advise the insured of the coverages on his/her policy that apply to the claim. The Company failed to make the insured aware of the applicable coverages and did so with such frequency as to indicate a general business practice.

#### **Commercial Automobile Claims**

- (2) The violations in this section remain in the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Company and its representatives must **know** the requiremets of the Claims Regulations when adjusting claims. The Regulation requires the Company to advise the insured of the coverages on his/her policy that apply to the claim. The Company failed to make the insured aware of the applicable coverages and did so with such frequency as to indicate a general business practice.

## Homeowner Claims

- (2) The violations in this section remain in the Report. The Company failed to advise insureds of coverage(s) applicable to the loss. The Company and its representatives must **know** the requirements of the Claims Regulations when adjusting claims. The Regulation requires the Company to advise the insured of the coverages on his/her policy that apply to the claim. The Company failed to make the insured aware of the applicable coverages and did so with such frequency as to indicate a general business practice.

## PART TWO – CORRECTIVE ACTION PLAN

### General

The Company has failed to make restitution on 12 policies and failed to provide any additional documentation to support their disagreement. The Company has failed to provide required payment information on four policies.

### Rating Review

- (1) The Company should make the restitution on RCA003.

The Company should make the restitution on RCA015.

The Company should make the restitution for RCA013.

The Company should make the restitution for RCP012.

After further review the restitution for RCP026 has been removed from the spreadsheet.

After further review the restitution for RCP031 has been removed from the spreadsheet.

The restitution for RCP048 has been amended in the spreadsheet. The Company should make the restitution for RCP048.

After further review the overcharge for RCP055 has been withdrawn from the spreadsheet.

The Company should pay the restitution for RHO012.

The Company should pay the restitution for RHO025.

The Company should pay the restitution for RHO030.

The Company should pay the restitution for RHO032.

The Company should pay the restitution for RPA001.

The Company indicated it would make restitution on RPA002 but has not provided documentation of the payment on the restitution spreadsheet.

The Company should pay the restitution for RPA012.

The Company should pay the restitution for RPA037.

### **Claims**

- (1) The Company should provide evidence of the subsequent contact with the claimant on CHO010.

## **PART THREE – RECOMMENDATIONS**

### **Rating and Underwriting**

- The Company has failed to respond to the Bureau's Recommendations of September 29, 2015.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, the Restitution Spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by December 1, 2015.

Sincerely,

Joy M. Morton  
Supervisor  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

Enclosures



The Cincinnati Insurance Company ■ The Cincinnati Indemnity Company  
The Cincinnati Casualty Company ■ The Cincinnati Specialty Underwriters Insurance Company  
The Cincinnati Life Insurance Company

December 7, 2015

Joy M. Morton  
Supervisor  
Market Conduct Section  
Bureau of Insurance

Dear Ms. Morton,

This confirms receipt of your revised preliminary report on the market conduct examination of The Cincinnati Insurance Company, dated November 13, 2015. In addition to what is stated below, we restate, reaffirm and incorporate herein by reference the responses and positions set forth in documents uploaded on August 25, 2015 and October 27, 2015 to the IBackup website and contained within a folder marked Exam Report Company Response. Our response below follows the format and order of your letter.

#### **Part One – The Examiners' Observations**

##### **Rating and Underwriting Review**

###### **Private Passenger Automobile**

We continue to disagree with RPA001 and withhold restitution pending final resolution of the exam. Restitution for RPA002, RPA012, and RPA037 has been paid and documentation provided in the attached restitution spreadsheet.

###### **Homeowner**

We continue to disagree with RHO012, RHO025, RHO030 and RHO032 and withhold payment pending final resolution of the exam.

###### **Commercial Automobile New Business**

We are issuing a refund for RCA003 per the revised restitution spreadsheet attached.

###### **Commercial Automobile Renewal Business Rating and Underwriting**

The check has been issued for RCA013.

We are issuing a refund for RCA015 per the revised restitution spreadsheet attached.

###### **Commercial Property and Liability New Business**

The examiner changed the violation for RCP012 to an undercharge. Refer to review sheet R&UNBCPL1635991768 and R&UNBCPL1408368898.

## **Commercial Property and Liability Renewal Business**

We are issuing a refund for RCP048 per the revised restitution spreadsheet attached. Please note that the overcharge/undercharge report was updated by the examiner but the Excel restitution spreadsheet was not updated to match. We listed the correct amount on the restitution spreadsheet per the overcharge/undercharge report.

## **Private Passenger Automobile Claims, Commercial Automobile Claims and Homeowner Claims**

We think it would be helpful if a Virginia court provided some guidance on this issue. The Bureau alleges in its most recent report that 14 VAC 5-400-40(A) "requires the Company to advise the insured of the coverages on his/her policy that apply to the claim." The Bureau then concludes that, since the Company failed to make the insured aware of the applicable coverages, there were repeated violations of the regulations with such frequency as to indicate a general business practice.

14 VAC 4-400-40, **Misrepresentation** of policy provisions, states as follows:

- A. No person shall **knowingly obscure or conceal** from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent to a claim. (emphasis added).

The Company recognizes its failure to document communications with policyholders regarding the coverages available. Those failures have been addressed internally. The problem here is that the regulation cited by the Bureau requires there to be specific intent to obscure or conceal information from first party claimants. There is legal significance to the word "knowingly" being used in the regulation. Mere oversight is not sufficient to find a violation of this regulation. The intent of the drafter is to require an elevated state of awareness. There is absolutely and unequivocally no proof that the company knowingly obscured or concealed coverage information from its policyholders. All indications are that these were inadvertent oversights or a failure to document disclosure of coverage declined by the policyholder, neither of which rise to the level of violations of 14 VAC 4-400(A).

## **Part Two – Corrective Action Plan**

### **Rating Review**

We continue to disagree and withhold payment pending final resolution of the exam on the following: RHO012, RHO025, RHO030, RHO032, and RPA001. Please refer to the restitution spreadsheet for documentation of payments of the others.

### **Claims**

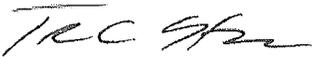
Regarding CHO010, we have met with the claimant and confirmed the only additional repair involved painting the ceiling and walls in the bathroom. We wrote an estimate for the repair and added 6% interest. The total amount of the payment was \$803.11.

### Part Three – Recommendations

We acknowledge the Bureau's recommendations. As the recommendations were not included under Part Two – Correction Action Plan of the Report, we understand these to be voluntary. We intend to implement some of the Bureau's recommendations. Please refer to our responses on the individual review sheets.

Thank you once again for the opportunity to respond to your preliminary report.

Sincerely,



Thomas C. Hogan  
Vice President and Corporate Counsel



Jim Brown  
Compliance Manager

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

May 4, 2016

VIA UPS 2<sup>nd</sup> DAY DELIVERY

Mark Welsh  
Vice President – Regulatory & Consumer Relations  
Cincinnati Insurance Company  
6200 South Gilmore Road  
Fairfield, OH 45014-5141

RE: Market Conduct Examination  
Cincinnati Insurance Company (NAIC# 10677)

Dear Mr. Welsh:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of December 7, 2015. Based upon the Bureau's review of the company's December 7, 2015 letter, the conference calls of September 9, 2015 and April 7, 2015 as well as the company's April 18, 2015 email we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Cincinnati Insurance Company (Report).

Based on the Bureau's review of the Report and the company's responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-231 F, 38.2-304, 38.2-305 A, 38.2-305 B, 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-517 A, 38.2-1812, 38.2-1822 A, 38.2-1906.1, 38.2-1906 D, 38.2-2114 A, 38.2-2114 C, 38.2-2118, 38.2-2125, 38.2-2220, 38.2-2234 E; of the Code of Virginia as well as 14 VAC 5-400-30, 14 VAC 5-400-50 D, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

Joy M. Morton  
BOI Manager  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)



The Cincinnati Insurance Company ■ The Cincinnati Indemnity Company  
The Cincinnati Casualty Company ■ The Cincinnati Specialty Underwriters Insurance Company  
The Cincinnati Life Insurance Company

**Mark Welsh**  
Vice President  
Regulatory & Consumer Relations

June 1, 2016

Rebecca Nichols  
Deputy Commissioner  
Property and Casualty  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

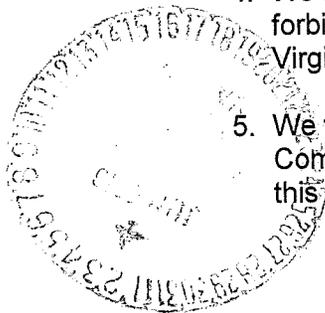
RE: Market Conduct Examination Settlement Offer

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated May 12, 2016, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-231 F, 38.2-304, 38.2-305 A, 38.2-305 B, 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-517 A, 38.2-1812, 38.2-1822 A, 38.2-1906.1, 38.2-1906 D, 38.2-2114 A, 38.2-2114 C, 38.2-2118, 38.2-2125, 38.2-2220, 38.2-2234 E; of the Code of Virginia as well as 14 VAC 5-400-30, 14 VAC 5-400-50 D, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$41,500.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of August 25, 2015, October 16, 2015 and December 7, 2015.
3. We confirm that restitution was made to 28 consumers for \$12,975.09 in accordance with the company's letters of August 25, 2015, October 16, 2015 and December 7, 2015.
4. We acknowledge that a Cease and Desist Order will be entered against the company forbidding any conduct that constitutes a violation of the 14 VAC 5-400-50 D of the Virginia Administrative Code that is cited in the Report.
5. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.



This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

Cincinnati Insurance Company



(Signed)

Mark Welsh

(Type or Print Name)

Vice President

(Title)

June 1, 2016

(Date)

Enclosure

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
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[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

Cincinnati Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$ 41,500.00 by its check numbered 1337327 and dated May 26, 2016, a copy of which is located in the Bureau's files.



the Defendant; violated § 38.2-2220 of the Code by failing to use forms in the precise language of standard forms previously filed and adopted by the Commission; violated § 38.2-2234 E of the Code by failing to update the insured's credit information at least once in a three year period; and violated §§ 38.2-510 A (1) and 38.2-510 A (3) of the Code, as well as 14 VAC 5-400-30, 14 VAC 5-400-50 D, 14 VAC 5-400-70 A, and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 50-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to Virginia the sum of Forty-one Thousand Five Hundred Dollars (\$41,500), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letters to the Bureau dated August 25, 2015, October 16, 2015, December 7, 2015, and June 1, 2016, and confirmed that restitution was made to 28 consumers in the amount of Twelve Thousand Nine Hundred Seventy-Five Dollars and Nine Cents (\$12,975.09), and agreed to the entry by the Commission of a cease and desist order with regards to Rule 14 VAC 5-400-50 D.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall cease and desist from any future conduct that constitutes a violation of Rule 14 VAC 5-400-50 D.

(3) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Mark Welsh, Vice President – Regulatory & Consumer Relations, The Cincinnati Insurance Company, 6200 South Gilmore Road, Fairfield, Ohio 45014-5141; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.