

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**HOMESITE INSURANCE COMPANY**

**AS OF**

**DECEMBER 31, 2013**

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

**PROPERTY AND CASUALTY DIVISION  
MARKET CONDUCT SECTION**

# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Gloria Warriner, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Homesite Insurance Company as of December 31, 2013, conducted at the company's office in Boston, MA 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-2016-00059 finalizing the Report.

**IN WITNESS WHEREOF**, I have  
hereunto set my hand and affixed  
the official seal of the Bureau  
at the City of Richmond, Virginia,  
this 28th day of June, 2016.

Senior Examiner's Name  
Examiner in Charge

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## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive market conduct examination has been made of the homeowners line of business written by Homesite Insurance Company at its office in Boston, Massachusetts.

The examination commenced May 12, 2014 and concluded January 13, 2015. Andrea D. Baytop, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, and Gloria V. Warriner-Penrose, 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-M17. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

## COMPANY PROFILE\*

The company was incorporated under the name Royal Special Risks Insurance Company on April 3, 1985 in the state of Connecticut and commenced operations on the same date. On August 2, 2000, all the outstanding common stock of the company was sold by Globe Indemnity Company, an indirect subsidiary of Royal & SunAlliance USA Insurance Group to Homesite Group Incorporated, a Delaware corporation. Royal Special Risks was subsequently renamed Homesite Insurance Company. The sale agreement provided for payment of an extraordinary dividend just prior to sale, reducing the capital and surplus of Royal to \$7.5 million. Under the Royal Indemnity Company Reinsurance and Liabilities Assumption Agreement with Royal Special Risks, Royal Indemnity Company assumed all liabilities of Royal Special Risks as of December 31,

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

1999. This assumption has been treated as a novation by the company and by the reinsurer.

The company is licensed in forty states. Prior to the acquisition by Homesite Group, Royal provided commercial property and casualty lines as a subsidiary member of the Royal & SunAlliance USA Insurance Group. The group operated under an intercompany pooling agreement where all underwriting commitments of each member of the pool were 100% reinsured by member Royal Indemnity Company, which retroceded to the affiliated companies specified percentage participations of the commitments.

The company is wholly-owned by Homesite Securities Company LLC, which is in turn a wholly-owned subsidiary of Homesite Group Incorporated, a Delaware corporation.

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 March 24, 1986.

**GROUP CODE: 0501**                      **HOMESITE**

**NAIC Company Number**                      17221

**LICENSED IN VIRGINIA**                      03/24/1986

**LINES OF INSURANCE**

Accident and Sickness	X
Aircraft Liability	X
Aircraft Physical Damage	X
Animal	X
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	X
Burglary and Theft	X
Commercial Multi-Peril	X
Credit	X
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	X
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 the line of insurance included in this examination.\* This business was developed through both independent agents and direct partnerships.

<b>COMPANY AND LINE</b>	<b>PREMIUM VOLUME</b>	<b>MARKET SHARE</b>
<b>Homesite Insurance Company</b>		
Homeowners Multiple Peril	\$27,675,717	1.44%

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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 homeowners' line of business written in Virginia for the period beginning January 1, 2013 and ending December 31, 2013. 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.

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize

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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.

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	<u>Population</u>		<u>Sample Requested</u>		<u>FILES WITH ERRORS</u>	<u>ERROR RATIO</u>
	<u>HIC</u>	<u>TOTAL</u>	<u>FILES REVIEWED</u>	<u>FILES NOT FOUND</u>		
<b><u>Homeowners</u></b>						
New Business	<u>19,807</u> 35	<u>19807</u> 35	35	0	7	20%
Renewal Business	<u>33,720</u> 40	<u>33720</u> 40	40	0	9	23%
Co-Initiated Cancellations <sup>1</sup>	<u>722</u> 80	<u>722</u> 80	75	0	35	47%
All Other Cancellations <sup>2</sup>	<u>12,794</u> 54	<u>12794</u> 54	50	0	11	22%
Nonrenewals <sup>3</sup>	<u>245</u> 6	<u>245</u> 6	7	0	1	14%
Rejected Applications	9672 5	9672 5	5	0	0	0%
<b><u>Claims</u></b>						
Property <sup>4</sup>	<u>1,786</u> 75	<u>1786</u> 75	74	0	34	46%

Footnote<sup>1</sup> - One file was not a Virginia policy and was not reviewed. Two files were expirations and were not reviewed. One file was moved to nonrenewal.

Footnote<sup>2</sup> - One file was moved from Company initiated to insured requested. Three files were cancelled flat and not reviewed. One file was an expiration and was not reviewed.

Footnote<sup>3</sup> - One file was moved from the non-payment category.

Footnote<sup>4</sup> - One file was a duplicate and was 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**

#### **Homeowners New Business Policies**

The examiners reviewed 35 new business policy files. During this review, the examiners found overcharges totaling \$64.00 and undercharges totaling \$42.00. The net amount that should be refunded to insureds is \$64.00 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. The company failed to show accurate information on the declarations page.
- (2) The examiners found five 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 or final rates.
  - b. In one instance, the company failed to use the rounding rule on file with the Bureau.
  - c. In three instances, the company failed to charge the Earthquake premium in accordance with its filed rules.

#### **Homeowners Renewal Business Policies**

The examiners reviewed 40 renewal business policy files. During this review, the examiners found overcharges totaling \$438.00 and no undercharges. The net amount that should be refunded to insureds is \$438.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company incorrectly informed the insured that his credit history adversely impacted the rating of the policy.
- (2) 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 one instance, the company failed to use the correct tier eligibility criteria.
  - b. In five instances, the company failed to charge the Earthquake premium in accordance with its filed rules.
- (3) The examiners found two violations of § 38.2-2126 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three year period.

#### **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 – Homeowners Policies**

##### **NOTICE MAILED PRIOR TO THE 90<sup>TH</sup> DAY OF COVERAGE**

The examiners reviewed 36 homeowner cancellations that were initiated by the company where the notice was mailed prior to the 90<sup>th</sup> day of coverage. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the

insured.

- (2) The examiners found three violations of § 38.2-2113 C of the Code of Virginia.
  - a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
  - b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.
- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to give the insured at least 10 days notice of cancellation.

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

The examiners reviewed 39 homeowner cancellations that were initiated by the company where the notice was mailed 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. During this review, the examiners found overcharges totaling \$20.19 and no undercharges. The net amount that should be refunded to insureds is \$20.19 plus six percent (6%) simple interest.

- (1) 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.
- (2) The examiners found five violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (3) The examiners found three violations of § 38.2-2113 C of the Code of Virginia.
  - a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.
  - b. In one instance, the company failed to retain proof of mailing the

cancellation notice to the lienholder.

- (4) The examiners found 30 violations of § 38.2-2114 A of the Code of Virginia.
  - a. In two instances, the company failed to issue a cancellation notice to the insured on an owner-occupied dwelling.
  - b. In two instances, the company failed to mail the cancellation notice on an owner-occupied dwelling to the address shown on the policy.
  - c. In 19 instances, 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.
  - d. In seven instances, the company cancelled coverage on an owner-occupied dwelling because of a physical change in the property and failed to properly document the change.
- (5) The examiners found 12 violations of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

### **All Other Cancellations – Homeowners Policies**

#### NONPAYMENT OF THE PREMIUM

The examiners reviewed 19 homeowner cancellations that were initiated by the company for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$30.00 and undercharges totaling \$356.80. The net amount that should be refunded to insureds is \$30.00 plus six percent (6%) simple interest.

- (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.
- (2) The examiners found three violations of § 38.2-2113 A of the Code of Virginia.



The company failed to obtain valid proof of mailing the cancellation notice to the insured.

- (3) The examiners found three violations of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of cancellation notice to the lienholder.

#### Requested by the Insured

The examiners reviewed 31 homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found overcharges totaling \$20.91 and undercharges totaling \$14.57. The net amount that should be refunded to insureds is \$20.91 plus six percent (6%) simple interest.

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 calculate the earned premium correctly.

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

The examiners reviewed seven homeowner nonrenewals that were initiated by the company.

- (1) The examiners found one violation of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the insured.
- (2) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the lienholder.

**Rejected Applications – Homeowner Policies**

The examiners reviewed five homeowner insurance applications for which the company declined to issue a policy.

The examiners found no violations in this area.

**CLAIMS REVIEW****Homeowners Claims**

The examiners reviewed 74 homeowner claims for the period of January 1, 2013 through December 31, 2013. 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 \$3,290.00 and underpayments totaling \$33,739.72. The net amount that should be paid to claimants is \$33,739.72 plus six percent (6%) simple interest.

- (1) The examiners found 12 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 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim. The company failed to inform the insured of the benefits available under the Additional Living Expense coverage of the policy.
- (3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to a pertinent

communication from a claimant which reasonably suggested that a response was expected.

- (4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found five 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.
- (6) The examiners found three violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (7) The examiners found seven 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 four instances, the company failed to properly pay the claim under the insured's Dwelling Replacement Cost coverage.
  - b. In one instance, the company failed to properly pay the claim under the insured's Personal Property Actual Cash Value coverage.
  - c. In one instance, the company failed to properly pay the claim under the insured's Additional Coverages.
  - d. In one instance, the company failed to pay the entire claim under the insured's Personal Property Replacement Cost coverage.

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

- (8) The examiners found 12 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.

- (9) The examiners found two violations of § 38.2-510 A 2 of the Code of Virginia. The company failed to acknowledge and act reasonably prompt upon communications with respect to claims arising under insurance policies.
- (10) The examiners found four 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.
- (11) The examiners found two violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (12) 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(s) under which payment was made.
- (13) The examiners found two violations 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.
- a. In one instance, the company failed to properly pay the claimant's claim under the Medical Payments to Others coverage of the policy.

- b. In one instance, the company failed to properly pay the claimant's claim under the Liability coverage of the policy.
- (14) The examiners found three 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 his/her policy.

#### Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as violations 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**

#### **Homeowner Policy Forms**

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for the line 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 the 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.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 50 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 BY THE COMPANY

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

**Homeowner Policies**

The company provided five new business policies mailed on the following dates: January 26, 2014, February 12, 2014, and February 17, 2014. In addition, the company provided five renewal business policies mailed on the following dates: January 19, 2014 and January 24, 2014.

NEW BUSINESS POLICIES

The examiners found five violations of § 38.2-604 A 1 of the Code of Virginia.

The company failed to provide the Notice of Information Collection and Disclosure Practices to the insured.

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 line 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 the line of business listed below, the Bureau requested copies from the company. For the forms 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 property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the company but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

#### **GENERAL STATUTORY NOTICES**

The company provided copies of 28 general statutory notices that were used during the examination period.

- (1) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company failed to include all of the information required by the statute in its Notice of Information Collection and Disclosure Practices.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not contain substantially similar language as that of the prototype set forth in Administrative Letter 1981-16.

#### **STATUTORY PROPERTY NOTICES**

The company provided copies of 89 statutory property notices that were used during the examination period.

- (1) The examiners found 12 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.

- (2) The examiners found one violation of § 38.2-2126 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.

### **Other Notices**

The company provided copies of 18 other notices 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 new business homeowner policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the company as required by Virginia insurance statutes. In addition, the agent or agency to which the 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 Review**

- (1) The examiners found 27 violations of § 38.2-1822 of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in the Commonwealth of Virginia.
- (2) The examiners found two violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

### **Agency Review**

The examiners found no violations in this area.

### **REVIEW OF THE COMPLAINT-HANDLING PROCEDURES**

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. The company submitted its security information as required by § 38.2-613.2 of the Code of Virginia.

The company provided its Information Security Procedures for review.

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

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. 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**

Homesite Insurance Company shall:

Provide a Corrective Action Plan (CAP) with its response to the Report.

### **Rating and Underwriting Review**

Homesite 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 of 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) Specify accurate information in the policy.

- (5) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts and/or surcharges, rounding rules, calculation of the Earthquake premium, and tier eligibility criteria.
- (6) Update the insured's credit information at least once in a three year period.

### **Termination Review**

Homesite 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 that it has refunded or credited the overcharges listed in the file.
- (4) Calculate the earned premium according to the filed rules and policy provisions.
- (5) Obtain and retain proof of mailing the cancellation and nonrenewal notices sent to the insured for one year from the date of cancellation or nonrenewal.
- (6) Obtain and retain proof of mailing the cancellation and nonrenewal notices sent to the lienholder for one year from the date of cancellation or nonrenewal.
- (7) Cancel a policy insuring an owner-occupied dwelling when the notice is mailed after the 89<sup>th</sup> day of coverage only for those reasons permitted by § 38.2-2114 of the Code of Virginia.
- (8) Send the cancellation notice to the insured.
- (9) Send the cancellation notice to the address listed on the policy.

- (10) Properly document changes in the property when terminating the policy due to a substantial change in the risk.
- (11) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.

### **Claims Review**

Homesite 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) 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.
- (6) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (7) Adopt and implement reasonable standards for the prompt investigation of claims.

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

Provide the Notice of Information Collection and Disclosure Practices notices to policyholders with all new policies as required by the Code of Virginia.

### **Review of Statutory Notices**

Homesite Insurance Company shall:

- (1) Amend the short form Notice of Information Collection and Disclosure Practices to comply with the statute.
- (2) Amend the AUD notice to comply with statute.
- (3) Amend the Flood Exclusion notice to comply with statute.
- (4) Amend the Insurance Credit Score Disclosure notice to comply with statute.

### **Licensing and Appointment Review**

Homesite Insurance Company shall:

- (1) Accept business only from agents that have a current license from the Commonwealth of Virginia.
- (2) Appoint agents within 30 days of the application.

## **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 show the total limit for the Loss Assessment

coverage on the declarations page when additional coverage is purchased.

- The company should correct the Deductible Interpolation example for the \$1,000 deductible found in Rule 406.
- The company should make Rule 301 A 3 correspond to the 300 and 400 Series rules for premium computation. Correctly indicate if the factors are applied to the base premium or tiered base premium.
- The company should clarify Earthquake Rule 505 D 5 with reference to adding Ordinance or Law coverage premium.
- The company should add the Maximum Deductible Credit calculation back into Windstorm Rule 590 B 2.
- The company should file Windstorm rates for the 500 Series rules for Renters policies.
- The company should only list the Windstorm or Hail Fixed-Dollar Deductible endorsement HH 80 06 on the declarations page when it is applicable to the policy.

### **Claims**

- The company should inform the insured of the benefits available under the Additional Living Expense coverage 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 notify the insured within 45 days from the date of notification of a first party claim the reason for the delay.
- The company should make all claim denials in writing and keep a copy in the claim file.
- The company should provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- The company should acknowledge and act reasonably prompt upon communications with respect to claims.
- The company should make a prompt, fair, and equitable settlement of the claim in which liability is reasonably clear.

- The company should include the correct statement of coverage under which payments are made with all claim payments made to insureds.
- The company should properly pay the claimant's claim under the Medical Payments to Others and the Liability coverage of the policy.

**Notices**

- The company should list its phone number and the BOI's TDD number in the Important Information Regarding Your Insurance company's contact section.

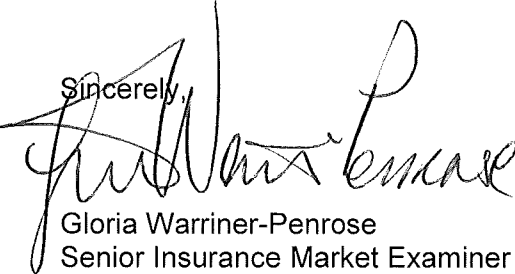
**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

The Bureau conducted a prior market conduct examination of the homeowners line of business of Homesite Insurance Company as of December 31, 2008.

During the examination, the company violated §§ 38.2-317 A, 38.2-305 A, 38.2-305 B, 38.2-502, 38.2-510 A, 38.2-604.1, 38.2-610 A, 38.2-1906 D, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2114 E, 38.2-2118, 38.2-2120, 38.2-2124, 38.2-2126, 38.2-2126 A, and 52-40 of the Code of Virginia as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-50 D, 14 VAC 5-400-60 B, 14 VAC 5-400-70 A, 14 VAC 5-400-70 B, and 14 VAC 5-400-70 D.

**ACKNOWLEDGEMENT**

The Bureau acknowledges the officers' and employees' response to requests from the Bureau during the course of the examination.

Sincerely,  
  
Gloria Warriner-Penrose  
Senior Insurance Market Examiner



# COMMONWEALTH OF VIRGINIA

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



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February 13, 2015

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

Jane Garrison  
Senior Compliance Specialist  
Homesite Group Incorporated  
One Federal Street, 4<sup>th</sup> Floor  
Boston, MA 02110

RE: Homesite Insurance Company (NAIC# 17221)  
Market Conduct Examination  
Examination Period: January 1, 2013 – December 31, 2013

Dear Ms. Garrison:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above-referenced company for the period of January 1, 2013, through December 31, 2013. 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 January 13, 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.

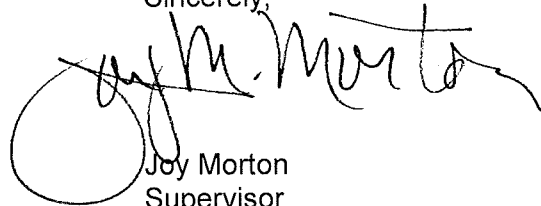
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by March 18, 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 March 18, 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Morton". The signature is written in a cursive style with a large, circular flourish on the left side.

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

JMM/pgh

# MITCHELL || WILLIAMS

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April 17, 2015

Ms. Joyclyn M. Morton, Supervisor  
Commonwealth of Virginia  
Market Conduct Section  
Property & Casualty Division  
1300 East Main Street  
Richmond, VA 23218

RE: Market Conduct Examination  
Homesite Insurance Company (NAIC #1722)  
Examination Period: January 1, 2013 – December 31, 2013

Dear Ms. Morton:

Homesite Insurance Company (the “Company”) is in receipt of your letter dated February 13, 2015 and the preliminary examination Report for the period of January 1, 2013 through December 31, 2013. We have read the report and appreciate the opportunity to respond. Please accept the following as the Company’s comments and responses.

## **Company Profile, Page 2**

**The Report states: “The company is licensed in forty states.”**

**Comment:** The Company respectfully proposes the following alternative language for consideration: “The company is based in Boston, Massachusetts and is licensed in 39 states and the District of Columbia.”

## **Company Profile, Page 4**

**The Report states: “This business was developed through independent agents.”**

**Comment:** Independent agents, a relatively small segment, are only one channel through which the Company markets its products. Business was also developed through direct marketing and affinity partnerships. The Company respectfully proposes that these two other channels be included or that the Bureau consider the following alternative language: “Homesite offers homeowners multi-peril policies to customers primarily through direct-to-consumer methods using the internet, call centers and technology-enabled platforms. Sales primarily occur through

Ms. Joyclyn M. Morton, Supervisor  
April 17, 2015  
Page 2 of 39

“affinity partnerships.” The Company maintains call centers in Akron, Ohio, and Phoenix, Arizona.”

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

### **RATING AND UNDERWRITING REVIEW**

#### **Homeowners New Business Policies**

**The Report states: “The examiners reviewed 35 new business policy files. As a result of this review, the examiners found overcharges totaling \$64.00 and undercharges totaling \$77.00. The net amount that should be refunded to insureds is \$64.00 plus six percent (6%) simple interest.”**

**Response:** The Company respectfully disagrees that the overcharges total \$64, but rather suggests that the total is \$59. The Bureau’s 6/17/14 response to review sheet 142335932 states: “...since the policy was cancelled flat by the insured, the company is not required to make the \$5 restitution...” Therefore, the Company suggests that the net amount that should be refunded to insureds is \$59 plus six percent (6%) simple interest.

Additionally, the Company respectfully disagrees that the undercharges total \$77, but rather suggests that the total is \$42 for the reasons stated in (2)(a) below.

**(1) The Report states: “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. The company failed to show accurate information on the declarations page.”**

**Response:** The Company accepts these violations.

The Company agrees with the violation cited as Reference Number RHO013 and is exploring a system solution to address the issue.

The Company agrees that the declarations page for the policy referenced as RHO020 did not reflect the increase in Coverage C that was included in the endorsement package purchased by the policyholder. The Company will develop a system solution to ensure that coverage limits that are increased due to the purchase of an endorsement package are properly reflected on the policy declarations.

**(2) The Report states: “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.”**

**Response:** The Company accepts 5 violations and disagrees with the 2 violations cited in subsection (a) below.

- a. In two instances, the company failed to use the correct discounts and/or surcharges.**

**Response:** The Company respectfully disagrees with these 2 violations.

The Company respectfully disagrees with the violation cited as reference number RHO002. The account name is listed as "Service X-fer" because the quote originated in the Progressive Call Center. The applicant was then transferred to the Homesite Call Center once his/her transaction with Progressive was completed. The account number reflected on the policy is 4002, which is shown on the Basic Customer Input I screen of the Company's policy file system. A copy of this screen is attached as Exhibit #1. This policy was written through the Progressive Drive program by one of Homesite's affinity marketing partners. The affinity discount was therefore appropriately applied and the policy was not undercharged. A list of account codes for Homesite's affinity partners is attached as Exhibit #2.

Additionally, the Company notes that RHO002 is analogous to RHO031, which was withdrawn by the Bureau on 6/17/2014. The Bureau noted in its response: "The company explained that the Account Name field on the Basic Responder Input I screen reflects BOTH the Expense Modifier and the Affinity Partner identifier codes. With code 4002 and an auto policy, the home policy was eligible for the All Other Expense Modifier and the Progressive Drive Affinity discount." The Company therefore respectfully requests that the violation cited as reference number RHO002 be withdrawn.

The Company respectfully disagrees with the violation cited as reference number RHO004. The account name is listed as "GFR Agents," which is an acronym for GEICO Field Representatives. The account number reflected on the policy is 14400, which is shown on the Basic Customer Input I screen of the Company's policy file system. A copy of this screen is attached as Exhibit #3. This policy was written through the GEICO homeowners program by one of Homesite's affinity marketing partners. The affinity discount was therefore appropriately applied and the policy was not undercharged.

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

**Response:** The Company accepts this violation. A policy insuring a secondary dwelling should not have been eligible for the endorsement package that was added to the policy cited. The Company has begun developing the appropriate system fix to prevent a reoccurrence. Impacted policies will be addressed at renewal.

- c. **In one instance, the company failed to use the rounding rule on file with the Bureau.**

**Response:** The Company accepts this violation. The owners rule manual currently provides that premium will be rounded to the nearest dollar. The Company will revise this language with the next rate filing.

Rule 301.A.1 will be revised to state: "The BASE PREMIUM is the product of the following rates and factors shown in the rate pages of this manual, rounded to the nearest cent."

Rule 301.A.2 will be revised to state: "Apply the applicable tier factors to the total of Step 1, rounding the new total to the nearest cent. This is the TIERED BASE PREMIUM."

- d. **In three instances, the company failed to charge the Earthquake premium in accordance with its filed rules.**

**Response:** The Company accepts these violations. The system fix to correct this issue was released on June 19, 2014.

#### **Homeowners Renewal Business Policies**

**The Report states: "The examiners reviewed 40 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$523.00 and undercharges totaling \$374.00. The net amount that should be refunded to insureds is \$523.00 plus six percent (6%) simple interest."**

**Response:** The Company respectfully disagrees that the overcharges total \$523 but rather suggests the total is \$7 for the reasons stated in (2)(a) and (b) below.

The Company respectfully disagrees that the undercharges total \$374 but rather suggests the total is \$0 for reasons stated in (2)(b) and (c) below.

**(1) The Report states: "The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company incorrectly informed the insured that his credit history adversely impacted the rating of the policy."**

**Response:** The Company accepts this violation. The IT department has researched this matter and identified it as a print logic issue. They are currently working to develop an appropriate system fix.

(2) **The report states: “The examiners found ten 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.”**

**Response:** The Company accepts the five violations cited in (d) and disagrees with the five violations cited in (a), (b) and (c).

**a. In two instances, the company failed to use the correct discounts and/or surcharges.**

**Response:** The Company respectfully disagrees with the 2 violations cited as Reference Numbers RHO055 and RHO061. The renewal offer sent prior to the third policy term stated that the protective device discount will be removed, but instructed the policyholders to call customer service to confirm that the device is still actively monitored. This notification is provided on the second page of the renewal packet and is prominently displayed with both underlining and bold-face font:

**Changes to your Policy Discounts**

Please be aware that the discount you have previously been receiving for having monitored Central Burglar or Fire Alarms has been removed as we have been unable to verify that the systems are currently being monitored by an alarm company. This discount can be re-applied on a pro-rated basis by contacting customer service at 1-866-960-8609 and verifying that the alarms are still monitored by an alarm company.

Therefore, the Company respectfully maintains that the insureds received appropriate notice regarding the need to confirm the current applicability of the protective device discount. However, in order to address the Bureau’s concerns, the Company’s Operations Department is developing an IT solution to revise the process regarding verification of a policyholder’s eligibility for the protective device discount. Policyholders who indicate that they have a protective device at the time of quote will be informed that they will need to provide confirmation of their discount eligibility prior to policy renewal. A notification to this effect will be included with the new business packet. If appropriate documentation is received, the discount will remain on the policy. A reminder communication will be sent prior to the generation of the renewal offer if the policyholder has not responded. The discount will be removed at the first renewal if the insured has not confirmed his/her eligibility. Implementation of the revised process is scheduled for the second quarter of 2015.

**b. In two instances, the company failed to use the correct tier eligibility criteria.**

**Response:** The Company respectfully disagrees with both of these violations.

The Company respectfully disagrees with the violation cited as reference number RHO045. The Tier Definitions of the Owners Rate Manual states that “For customers who have a lapse in insurance coverage or no prior insurance, determine the tier assignment based on Insurance Score and Prior Claim History, then increase the tier assignment to the next highest tier.” In this context, “no prior insurance” refers to the customer’s home insurance coverage status prior to purchasing a Homesite policy. The Basic Customer Input II screen on the Company’s policy file system demonstrates that the policyholder had no homeowners insurance coverage at the time of quote. A copy of this screen is attached as Exhibit #4. The risk was therefore deemed to have had “no prior insurance,” which moved the risk to the next highest tier. The designation regarding the existence of prior insurance is determined at the time of new business and does not change throughout the lifetime of the policy. The Company proposes to add language to the rate manual to better clarify how this rule operates.

The Company respectfully disagrees with the violation cited as reference number RHO063. A screenshot of the Basic Customer Input I screen from the policyholder’s converted quote was provided with the Company’s response to the review sheet and is attached as Exhibit #5. The screenshot shows an effective date of 8/31/2011. The quote date was 8/18/2011, and therefore 13 days had passed between the quote date and the effective date. The policyholder was therefore appropriately placed in Shopper Class 1 (11 or more days).

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

**Response:** The Company respectfully disagrees with this violation. The Company agrees with the factors calculated by the Department with the exception of the territory base rates. The correct territory for this policy is territory 309. The filed territory definitions in effect for this policy state: “Territory boundaries defined by ZIP Codes are determined by the USPS ZIP Code boundaries as of June 2007. Any subsequent changes to the ZIP Code boundaries do not affect these territory boundaries.” Homesite uses this approach instead of the current zip code because zip code boundaries may change over time. In order to generate the territory based on zip codes as of June 2007, Homesite has developed a map of those zip codes at that point in time. When the customer provides their property address as part of the quoting process, the address is put through a vendor database, which returns the property’s latitude and longitude. These coordinates are plotted on the map of zip codes as of June 2007 and the corresponding territory is returned.

The insured’s address in zip code 23065 corresponds to Homesite territory 309 based on Homesite Territory Definitions 2.0.



The OTWH and Windstorm/Hail base rates for territory 309 are \$403 and \$91, respectively. Using these base rates, the final premium was calculated to be \$951.

- d. **In five instances, the company failed to charge the Earthquake premium in accordance with its filed rules.**

**Response:** The Company accepts these violations. The system fix to correct this issue was released on June 19, 2014.

(3) **The Report states: “The examiners found two violations of § 38.2-2126 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three year period.”**

**Response:** The Company respectfully disagrees with the two violations. A review of our system file indicates that the Company did not update the insurance score at the third renewal for the two policies cited as reference numbers RHO037 and RHO039. Section 38.2-2126 B of the Code of Virginia requires that credit be updated at least once every three years. If an error occurs and credit is not updated, it is the Company’s practice to use the insured’s insurance score for the fourth policy term, if a valid score was previously obtained. Credit is then recalled prior to the next renewal. The Company suggests that this process is reasonable as § 38.2-2126 C speaks only to “no hit / no score” or “thin file” results that are actually returned from a consumer reporting agency. Errors in obtaining consumer reports are not addressed within the statute.

### **TERMINATION REVIEW**

#### **Company-Initiated Cancellations- Homeowners Policies**

#### **NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE**

**The Report states: “The examiners reviewed 36 homeowner cancellations that were initiated by the company where the company mailed the notice prior to the 90th day of coverage. As a result of this review, the examiners found no overcharges and no undercharges.”**

(1) **The examiners found two violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.**

**Response:** The Company accepts these two violations. We have addressed this matter with our print vendor. The vendor has implemented a quality control review process. They have also discussed this matter with the local United States Post Office they use to obtain the certificate of mailing documents. The USPS facility has agreed to obtain a new ball stamp and ink pads to endure legibility on the documents in the future. Additionally, Homesite’s Operations

department has implemented an audit process to ensure certificate of mailing documents received from the vendor are complete and legible.

**(2) The examiners found three violations of § 38.2-2113 C of the Code of Virginia.**

**Response:** The Company accepts these three violations cited in (a) and (b) below.

**a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.**

**Response:** The Company accepts the two violations. We have addressed this matter with our print vendor. The vendor has implemented a quality control review process. They have also discussed this matter with the local United States Post Office they use to obtain the certificate of mailing documents. The USPS facility has agreed to obtain a new ball stamp and ink pads to endure legibility on the documents in the future. Additionally, Homesite's Operations department has implemented an audit process to ensure certificate of mailing documents received from the vendor are completed and legible.

**b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.**

**Response:** The Company accepts this violation. Although a copy of the notice issued to the lienholder has been maintained in the Company's imaging system, Homesite acknowledges that the proof of mailing is lacking. The Company expects that the audit process described in (2)(a) above will enable to the Company to identify and correct any reoccurrences of this issue going forward.

**(3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to give the insured at least 10 days' notice of the effective date of the cancellation.**

**Response:** The Company accepts this violation. This violation is the result of an isolated human error, where two notices of cancellation were inadvertently generated, one of which did not provide the correct number of day's notice of cancellation.

#### **NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE**

The Report states: "The examiners reviewed 39 homeowner cancellations that were initiated by the company where the company mailed the notices on or after the 90th 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 overcharges totaling \$20.19 and no

**undercharges. The net amount that should be refunded to insureds is \$20.19 plus six percent (6%) simple interest.”**

**Response:** The Company agrees that the net amount that should be refunded to insureds is \$20.19 plus six percent (6%) simple interest.

**(1) 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.**

**Response:** The Company accepts this violation. This refund discrepancy resulted from user error in processing the insured requested cancellation effective 08/15/2013. The operator neglected to flat cancel the 09/06/13 – 09/06/14 renewal policy.

**(2) The examiners found five violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.**

**Response:** The Company accepts two violations and respectfully disagrees with three violations.

The Company accepts the two violations assigned the reference numbers THO064 and THO079 and has addressed the issue of stamp legibility with our print vendor. The vendor has implemented a quality control review process. They have also discussed this matter with the local United States Post Office they use to obtain the certificate of mailing documents. The USPS facility has agreed to obtain a new ball stamp and ink pads to endure legibility on the documents in the future. Additionally Homesite’s Operations department has implemented an audit process to ensure certificate of mailing documents received from the vendor are complete and legible.

The Company respectfully disagrees with the three violations assigned reference numbers THO052, THO054 and THO063. The examiners noted that for these violations, the notices of cancellation sent to the insureds were sent to a different mailing address than the one reflected in the policy file. This situation occurs when an insured updates his or her mailing address by completing an official change of address request with the U.S. Post Office, which is then recorded in the National Change of Address Database (NCOA), but neglects to inform Homesite of the change.

VA 38.2-2113 requires that a cancellation notice be sent:

- a) by registered or certified mail,
- b) with a receipt from the Postal Service showing the name and address of the insured stated in the policy,

c) with a written receipt from the Postal Service showing the date of mailing, the number of items mailed, and a mailing list showing the name and address stated in the policy or the last known address, or

d) with electronic transmittal saved if delivered electronically.

The final “or” indicates that any of a) through d) are permissible means of delivery. The report cites a violation of subpart (b) as the notices were not sent to the addresses stated in the policy files. However, the Company respectfully suggests that the notices were mailed in compliance with subpart (c), as they were sent to the policyholders’ last known addresses.

The term “last known address” is not defined within Virginia statutory law and therefore it is necessary to look elsewhere. Federal tax law defines the term in 26 CFR 301.6212-2 – Definition of Last Known Address. This definition includes an updated address that has been recorded in the NCOA database. The Company asserts that it complied with VA 38.2-2113(c) in mailing the notices of cancellation to the address on file in the NCOA database, and respectfully requests that the violations associated with reference numbers THO052, THO054 and THO063 be withdrawn.

**(3) The examiners found three violations of § 38.2-2113 C of the Code of Virginia.**

**Response:** The Company accepts these three violations cited in (a) and (b).

**a. In two instances, the company failed to obtain valid proof of mailing the cancellation notice to the lienholder.**

**Response:** The Company accepts both of these violations. We have addressed this matter with our print vendor. The vendor has implemented a quality control review process. They have also discussed this matter with the local United States Post Office they use to obtain the certificate of mailing documents. The USPS facility has agreed to obtain a new ball stamp and ink pads to endure legibility on the documents in the future. Additionally Homesite’s Operations department has implemented an audit process to ensure certificate of mailing documents received from the vendor are complete and legible.

**b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.**

**Response:** The Company accepts this violation. Homesite will work with our print vendor and Lexis/NexisFIRST to ensure that lienholders receive timely notifications of all terminations.

**(4) The examiners found 32 violations of § 38.2-2114 A of the Code of Virginia.**

**Response:** The Company accepts 29 violations and respectfully disagrees with 3 violations (one violation cited in (a) and two violations cited in (b)).

**a. In three instances, the company failed to issue a cancellation notice to the insured on an owner-occupied dwelling.**

**Response:** The Company accepts two of the violations and respectfully disagrees with one violation. The Company accepts the violations assigned the reference numbers THO047 and THO071. The notices of cancellation did not generate due to data entry errors. A reconciliation process for cancellation transactions has been instituted to assure that incidents such as this are identified and remedied in a timely manner. The Operations Compliance department conducts reconciliation of cancellation print on a daily basis. In the event a cancellation notice isn't generated, a notification is sent to the appropriate leadership team to have the document re-generated. The recovery process is to have the cancellation re-generated properly; in the event it should fail again from generating, we would catch that in the next day's reconciliation process. If necessary, we would involve our IT department to reproduce the cancellation letter if the issue cannot be resolved via reprocessing of the cancellation.

The Company respectfully disagrees with the violation referenced as THO042. The cited policy was cancelled in 2011 with proper notice to the insured. Due to a data entry error, the policy file also shows a company-initiated cancellation effective 01/09/2013. The policy notes, attached as Exhibit # 6, indicate that the insured called customer service on 1/9/2013 in order to have a refund check re-sent to her new mailing address. The service representative improperly reinstated the policy in order to update the mailing address, and then incorrectly coded the termination as company-initiated when re-cancelling the policy. A copy of the Horizon Transaction screen is attached as Exhibit #7. The Company states that this was a human error and acknowledges the need for additional training for call center employees. However, there was no violation of § 38.2-2114 A of the Code of Virginia, as the policyholder was not entitled to legal notice because the policy was already cancelled. The Company therefore respectfully requests that this violation be removed or re-categorized as a transactional error.

**b. In three instances, the company failed to mail the cancellation notice on an owner-occupied dwelling to the address shown on the policy.**

**Response:** The Company accepts one violation and respectfully disagrees with two violations. The Company accepts the violation assigned the reference number THO039. The policy notes reflect that the policyholder called customer service on

9/12/2013 and informed the representative of a change to his mailing address. However, the change was never made in the policy system and consequently the 09/18/2013 notice of cancellation was issued with an incorrect address. This was an inadvertent human error.

The Company respectfully disagrees with the violation referenced as THO041. The policyholder's address was updated in the policy file system, Horison, prior to the generation of the cancellation notice. Therefore, the notice was mailed to the address on file. A copy of the Horison Transaction screen for this policy showing that there were no transactions after the cancellation transaction evidencing that the address change had to have occurred prior to the cancellation transaction is attached as Exhibit #8.

The Company respectfully disagrees with the violation referenced as THO066. The examiners noted that the notice of cancellation sent to the insureds was sent to a different mailing address than the one reflected in the policy file. This situation occurs when an insured updates his or her mailing address by completing an official change of address request with the U.S. Post Office, which is then recorded in the National Change of Address Database (NCOA), but neglects to inform Homesite of the change.

VA 38.2-2113 requires that a cancellation notice be sent:

- a) by registered or certified mail,
- b) with a receipt from the Postal Service showing the name and address of the insured stated in the policy,
- c) with a written receipt from the Postal Service showing the date of mailing, the number of items mailed, and a mailing list showing the name and address stated in the policy or the last known address, or
- d) with electronic transmittal saved if delivered electronically.

The final "or" indicates that any of a) through d) are permissible means of delivery. The report cites a violation of subpart (b) as the notices were not sent to the addresses stated in the policy files. However, the Company respectfully suggests that the notices were mailed in compliance with subpart (c), as they were sent to the policyholders' last known addresses.

The term “last known address” is not defined within Virginia statutory law and therefore it is necessary to look elsewhere. Federal tax law defines the term in 26 CFR 301.6212-2 – Definition of Last Known Address. This definition includes an updated address that has been recorded in the NCOA database. The Company asserts that it complied with VA 38.2-2113(c) in mailing the notices of cancellation to the address on file in the NCOA database, and respectfully requests that the violation associated with reference number THO066 be withdrawn.

- c. In 19 instances, the company cancelled a policy insuring an owner- occupied dwelling after the 89th day of coverage for a reason not permitted by the statute.**

**Response:** The Company accepts the 19 violations. The Company amended its operational process in Quarter 4 2014, and ceased the practice of initiating mid-term cancellations of policies covering properties that are no longer owner occupied. Such policies will instead be flagged for review at the time of renewal.

- d. In 7 instances, the company cancelled coverage on an owner-occupied dwelling because of a physical change in the property and failed to properly document the change.**

**Response:** The Company accepts the 7 violations. The Company amended its operational process in Quarter 4 2014, and ceased the practice of initiating mid-term cancellations of policies covering properties which are believed to have suffered a change in risk. Such policies will instead be flagged for review at the time of renewal.

**(5) The examiners found 12 violations of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of his right to request a review by the Commissioner of Insurance.**

**Response:** The Company accepts the 12 violations. The Company has begun the IT development process to ensure that its Notice of Cancellation advises the recipient of the right to request a review by the Commissioner of Insurance. The revised form is scheduled for release in Q2 2015. During 2014, the Company’s Operations team implemented a notice quality review process whereby among other things verification that the required language advising the insured of the right to request a review by the Commission of Insurance is included on the notice of cancellation.

#### **All Other Cancellations - Homeowners Policies**

#### **NONPAYMENT OF THE PREMIUM**

The Report states: “The examiners reviewed 19 homeowner cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review,

the examiners found overcharges totaling \$30.00 and undercharges totaling \$356.80. The net amount that should be refunded to insureds is \$30.00 plus six percent (6%) simple interest.”

**Response:** The Company agrees with the total overcharges and undercharges as stated.

(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.

**Response:** The Company accepts the four violations. Policy expirations should have cancelled flat and no cancellation fee should have been applied. The system fix to correct this issue was implemented on 7/11/2013.

(2) The examiners found three violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.

**Response:** The Company accepts the three violations. The Company will work with its print vendor to ensure that Proofs of Mailing include all address information on the policy, such as an apartment number, and that the USPS ball stamp is present and legible. The vendor has implemented a quality control review process. They have also discussed this matter with the local United States Post Office they use to obtain the certificate of mailing documents. The USPS facility has agreed to obtain a new ball stamp and ink pads to ensure legibility on the documents in the future. Additionally Homesite’s Operations department has implemented an audit process to ensure certificate of mailing documents received from the vendor are complete and legible.

(3) The examiners found three violations of § 38.2-2113 C of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the lienholder.

**Response:** The Company accepts the three violations. Homesite will work with our print vendor and Lexis/NexisFIRSt to ensure that lienholders receive timely notifications of all terminations. Additionally Homesite’s Operations department has implemented an audit process to ensure certificate of mailing documents received from the vendor are complete and legible.

#### **Requested by the Insured**

The Report states: “The examiners reviewed 31 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 overcharges totaling \$20.91 and



**undercharges totaling \$14.57. The net amount that should be refunded to insureds is \$20.91 plus six percent (6%) simple interest.”**

**Response:** The Company agrees with the total overcharges and undercharges as stated.

**(1) 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 calculate the earned premium correctly.**

**Response:** The Company accepts 2 violations, and respectfully disagrees with 1 violation.

The Company agrees with the violations referenced as THO106 and THO113.

We are investigating the reason for the undercharge associated with reference number THO106. The overcharge associated with reference number THO113 was the result of operator error. This refund discrepancy resulted from user error in processing the insured requested cancellation effective 08/15/2013. The operator neglected to flat cancel the 09/06/13 – 09/06/14 renewal policy. The Company will be addressing this directly with the customer service representative.

The Company respectfully disagrees with the violation assigned reference number THO124. The review sheet noted that the Company failed to provide a copy of the declarations page for the policy being reviewed. However, the Company provided a copy of the declarations page with its response on 6/10/2014, and therefore respectfully requests that this violation be removed. A copy of the declarations page is attached as Exhibit #9.

**(2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to maintain proof of the insured's request for cancellation.**

**Response:** The Company respectfully disagrees with this violation. The policy under review was originally issued with an effective date of August 30, 2013. On October 24, 2013 the insured contacted us and asked for the effective date of the policy to be changed to 10/25/2013 as the closing for the purchase of this home had been postponed from August to October. In order to accommodate the insured's request for a new effective date the policy was internally cancelled and reissued with an effective date of October 25, 2013. Copies of the Horison transaction screen and the Horison policy notes are attached as Exhibit #10 and #11, respectively.

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

**The Report states: “The examiners reviewed seven homeowner nonrenewals that were initiated by the company.”**

1) **The examiners found one violation of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the insured.**

**Response:** The Company accepts this violation.

2) **The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the lien holder.**

**Response:** The Company accepts this violation.

3) **The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company failed to mail a nonrenewal notice on an owner-occupied dwelling to the address shown on the policy.**

**Response:** The Company respectfully disagrees with this violation. Prior to the issuance of the notice of cancellation, the Company received forwarding address information from the USPS. The updated address was similarly reflected as the return address on an envelope sent by the policyholder containing his policy payment. This was provided with the Company's response to review sheet TERMNRHO1284798547 and is also attached as Exhibit #12. The examiner's response of 6/4/14 observed that it was unclear how the Company had determined that the policyholder had rented the property out, and that the updated address was not merely a winter or temporary residence. The policy notes, attached as Exhibit #13, demonstrate that the insured informed the Company the dwelling had been rented out and no longer owner occupied when he called to report the loss on 9/12/2013.

## **CLAIMS REVIEW**

### **Homeowners Claims**

**The examiners reviewed 74 homeowner claims for the period of January 1, 2013 through December 31, 2013. 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 \$3,290.00 and underpayments totaling \$45,116.92. The net amount that should be paid to claimants is \$45,116.92 plus six percent (6%) simple interest.**

**Response:** The Company respectfully disagrees that the underpayments total \$45,116.92 but rather suggests the total is \$10,482.32. The Company corrected the errors caused by underpayments assigned reference numbers CHO017, CHO023, CHO037, and CHO063. Although the Company agrees that an underpayment is owed for the claim assigned reference number CHO061, the Company believes the amount owed to be a total of \$5407.52, the amount of the remediation invoice plus interest based on the remediation invoice received for mold damages. That invoice has been attached as Exhibit #14. The Company respectfully disagrees

that underpayments apply to claims assigned reference numbers CHO022, CHO034, CHO040, CHO043, and CHO070 as outlined in Part I (7)(c), (13)(a), (7)(d), (1), and (7)(b), respectively.

**1) The examiners found 14 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.**

**Response:** The Company accepts five violations and respectfully disagrees with nine violations. The Company accepts the violations assigned the reference numbers CHO017, CHO032, CHO037, CHO044, and CHO063.

Reference Number CHO055 - The Company agrees that a payment letter included an amount withheld as the amount over the special limit as non-recoverable depreciation. The Company currently has an open information technology request to edit the current payment letter to allow for an additional field outlining an amount over the special limit rather than this amount showing as non-recoverable depreciation. Until that request is completed, the training department has issued training to ensure all payment letters with overages due to special limits are sent using a separate letter template within the system.

Reference Number CHO037 - The Company agrees that the inappropriate deductible was noted in the claim file. In February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster to easily pull the applicable endorsement, including the applicable deductible for appropriate application. The Company will also complete deductible training with all adjusters that will include the application of the appropriate deductible.

Reference Number CHO044 - The Company agrees that an inaccurate payment amount was reflected on the letter sent to the insured. The payment, however, was correct. Again, in February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster draft the payment letter as the payment is being issued. This system enhancement prevents the adjuster from inaccurately noting a payment that was not actually paid using the system.

Reference Number CHO032 - The Company agrees that an endorsement that is not available in Virginia was noted in a denial letter. The new claims system allows the adjuster to easily pull the applicable policy form, Special Provisions, and any endorsements. The Company has also completed and trained to a 50 State Matrix that outlines state-specific information, including the fact that no mold endorsement exists in Virginia as mold damage caused by a covered peril is covered up to policy limits.

The Company notes that 14 VAC 5-400-30 requires that claim files contain all notes and work papers pertaining to the claim in such detail that pertinent event and the dates of such

events can be reconstructed. The Company understands that typically speaking the pertinent events and dates of a claim include the notice of the loss, the proof of loss, documents related to the investigation, correspondence between the parties, evaluation of the damages and estimates, denial letters, and payments. The Company notes that most of the items deemed to be violations of this provision relate not to items that are missing from the claim file. Rather, these violations relate to a range of miscellaneous subjects. Therefore, the Company respectfully disagrees that the findings occurred with such frequency as to indicate a general business practice. The Company respectfully disagrees that the following matters constitute a violation of 14 VAC 5-400-30.

Reference Number CHO002 – The Company respectfully disagrees that it failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed. The letters referred to are payment letters that are used for indemnity payments under Coverage A, B, C, or D. Therefore, the letters include language regarding the recovery of depreciation. In addition, the claim system links over to policy notes, which reflect that a call in April of 2014 provided that the owner was deceased and that the children were likely going to sell the property. The file was flagged for review at renewal based on this information and the claims adjuster would have access to those notes. As no underwriting action has been taken to date, there is no change in the administering of the claim.

Reference Number CHO024 – The Company respectfully disagrees with this violation because it cannot identify the 6/1/13 correspondence the Department references. The only correspondence sent on 6/1/13 was the letter summarizing payment. This is a standard letter and does not indicate that any additional information is needed. There is email correspondence dated 5/31/13 between the adjuster and the insured. However, none of that correspondence requires additional information from the insured. The 5/31/13 email correspondence explains that depreciation can be recovered by sending in receipts once the property has been repaired or replaced and addresses the payment of the deductible to ServPro.

The Company provided a screen shot of the documents in the file with its response to review sheet ClaimsPropHO179447918. In addition, the Company provide the 5/31 email correspondence and the 6/1 payment letter. Neither of these reference a need for unspecified additional information, and there was no other correspondence sent on 6/1.

Reference Number CHO030 – The Company respectfully disagrees with this violation. The estimate for roof damage was clearly put into the claim file by error and has no bearing on the adjustment of the claim. The estimate placed in the file was for a property in East Point, GA to repair hail damage. The claim under review was reported for lightning damage to a property in Virginia. The contractor inadvertently placed the incorrect claim number on the document, which was automatically imaged into the system based on the incorrect claim number. Based on the cause of loss and the estimate in the file, the Company respectfully disagrees that the file could

not stand on its own without need for interpretation. An erroneous addition to the file that clearly does not pertain to the file does not inhibit the ability of the Examiners to reconstruct the claim file.

Reference Number CHO043 – The Company respectfully disagrees that it failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed. The statement that the insured does not have a mold endorsement is correct. There is no mold endorsement available in VA. Therefore, the policyholder does not have the mold endorsement that may be available to insureds in other states. Therefore, the exclusion in the HO 00 03 under Perils Insured Against governs this loss. Although the Company agrees that the fact that there is no mold endorsement does not mean that there is no coverage for mold, the statement in the claim file indicating that no mold endorsement exists is not incorrect or in violation of 14 VAC 5-400-30.

Reference Number CHO045 – The Company respectfully disagrees that it failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events could be reconstructed. The claim notes detail the claim handling from first notice of loss on August 16, 2013 through September 11, 2013, when the notes reflect that a denial letter was written by the adjuster. The notes also reflect that the insured and adjuster spoke on Sept. 20, 2013 when the denial was verbally delivered to the insured.

The Company notes that the denial letter in the file is dated May 18, 2014. The Company is aware of an error where correspondence was initiated in the system and was not mailed due to incomplete processing on the part of the adjusters who authored the correspondence. The Company undertook a thorough review of this matter and issued correspondence impacted by the error. In addition, training has been provided to adjusters on the manual process for sending correspondence such that the letters will be processed to completion. In addition, the Claims analytics team completed audits on denial letters that were initiated in the system but not sent. The claim reviewed under CHO045 was impacted by this error as the adjuster notes reflect that the denial letter was originated on 9/11/2013, but the document was not physically sent until 5/18/2014.

Reference Number CHO059 – The Company respectfully disagrees that it failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed. The Company acknowledged that two deductibles should have been applied – one for each window. However, the claim file contained sufficient documentation to identify this error, and therefore the Company respectfully suggests that this mistake does not amount to a violation of 14 VAC 5-400-30. Although the Company acknowledges that the adjuster's failure to contemplate the application of two deductibles is an error which resulted in overpayment of the claim, but it did not leave the claim file lacking documentation sufficient to reconstruct the claim.

Reference Number CHO066 – The Company respectfully disagrees that it failed to maintain all notes and work papers sufficient to reconstruct pertinent events and dates. Since liability was clear, in order to protect the policyholder from future litigation for property damage to the apartment below, and in order to make a prompt and fair settlement, the Company accepted the \$1000 verbal estimate and properly documented it in the claim file. This documentation was sufficient to reconstruct the event and the date. In addition, as this was a third party liability claim rather than a first party property claim, and as the claimant’s estimate was within \$50.00 of the Company’s estimate, there was no benefit to investigate the claimant’s estimate further and risk delaying payment to the claimant and/or potential litigation against the policyholder. Whether the adjuster investigated the condo coverage or the date of loss does not go to whether the claim file was properly documented. Of note, the adjuster’s original estimate was \$961.09 making the difference between the two estimates \$38.91, less than 5% of the estimate.

Reference Number CHO075 – The Company respectfully suggests that it is immaterial as to who started the fight under the terms of the policy. Section II is intended to protect the insured from suits arising out of accidents and negligent acts. It is not intended to cover insureds for intentional actions. This is clear from the policy’s definition of occurrence as “an accident” and also from the exclusion for intentional acts. The exclusion provides that there is no coverage to “bodily injury” or “property damage” [w]hich is expected or intended by the “insured.”

The loss arose from an assault and battery in a bar for which the insured was charged criminally. There is sufficient documentation in the file to determine that the insured’s actions were not an accident under the terms of the contract. Virginia case law has held that, although criminal defenses such as self-defense may excuse the action such that it is not subject to criminal punishment, the conduct is nonetheless intentional. Johnson v. Insurance Company of North America, 350 S.E.2<sup>nd</sup> 616 (1986) and Erie Insurance Group v. Bunkner, 489 S.E.2d 901 (1997). Where the action causes bodily injury that is expected or intended, there is no coverage. The insured’s statement to the handling adjuster during the initial contact, as well as the criminal charge supports the denial of the claim.

Based on the above information and the requested removal of 12 violations, the Company believes that this issue does not rise to the level of a general business practice.

**2) The examiners found three 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 policy that were pertinent to the claim. The company failed to inform the insured of the benefits under the Additional Living Expense coverage of the policy.**

**Response:** The Company accepts one violation and respectfully disagrees with two violations.

The Company accepts the violation assigned the reference number CHO019. To prevent this violation from occurring in the future, in 2014, Standards of Production were created and trained to that include the requirement to address Additional Living Expense on all claims where it may be applicable. Additionally, a note template is now used to document the claim file that includes the requirement to address Additional Living Expense on all claims where it may be applicable.

Reference Number CHO023 – The Company respectfully disagrees that it obscured or concealed coverages that were pertinent to the claim. The policy provided, “If a loss covered under this Section makes that part of the “residence premises” where you reside not fit to live in, we cover...” In this matter, the independent adjuster inspected the property and made recommendations based on first-hand knowledge of the damaged property. An engineer also inspected the property and provided, “The structural damage as a result of the tree impact is limited to the south porch and the north end of the west fascia and soffit.” Based on the inspection and engineer’s report, only the sunroom was damaged. The remainder of the home, which contains the parts of the home necessary for the home to be livable, was undamaged. Although the sunroom needed “shoring up,” it did not render the home unlivable. Therefore, Coverage D was not pertinent to the claim. In addition, the claim notes state coverage A, B, C, and D were discussed with the insured. Therefore, the file indicates that ALE (Coverage D) was discussed with the insured and not obscured or concealed.

Reference Number CHO026 – The Company respectfully disagrees that it obscured or concealed coverages that were pertinent to the claim. The policy provided, “If a loss covered under this Section makes that part of the “residence premises” where you reside not fit to live in, we cover...” The first notice of loss reported water in the basement of the home. The inspection report confirmed the damage was in the basement. The insured did not indicate that there was damage to any other portion of the home, such as kitchen, bath, living or bedroom areas. Therefore, Coverage D was not pertinent to the claim and the Company did not obscure or conceal any pertinent information.

**3) The examiners found two violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to a pertinent communication from a claimant which reasonably suggested that a response was expected.**

**Response:** The Company agrees with the two violations.

The Company’s claims analytics team now generates a report sent to management including all communications that have not been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed within ten working days as required.

**4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.**

**Response:** The Company respectfully disagrees with the violation cited as Reference Number CHO034. The regulation requires a letter setting forth the reasons additional time is needed for investigation for all first party claims. Here, the claim was filed as a third party claim. The Company therefore respectfully notes that the cited regulation is inapplicable to this claim.

The Company's claim systems alerts the adjuster every 21 days to review the claim file and send a follow-up letter to first party claimants if additional time is needed to complete the claim or if additional documentation is needed from the insured. In addition, a 50 State Matrix was completed and trained to. This Matrix includes state-specific provisions, including timely handling requirements.

**5) The examiners found five 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.**

**Response:** The Company agrees with the five violations.

In 2014, the Company created and trained to Standards of Production that include the requirement to send a partial denial or denial letter when the claim or any portion of the claim is not covered under the policy. In addition, all denial letters and partial denial letters are created within the claim system and stored in the file. Finally, the quality assurance department reviews claim files to ensure denial letters or partial denial letters are created and sent as required.

**6) The examiners found four violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.**

**Response:** The Company accepts two violations and respectfully disagrees with two violations. The Company accepts the violations assigned the reference number CHO031 and CHO061.

Reference Number CHO031 – The Company acknowledges that the denial letter included policy provisions that did not apply to the claim. In 2014, Standards of Production were created and trained to that include the requirement to “quote the policy language that applies.”

Reference Number CHO061 – The Company acknowledges that a denial letter was sent for mold damage that should have been covered under the policy. In February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster to easily pull the applicable policy form, Special Provisions, and any endorsements. In addition, the



Company has completed and trained to a 50 State Matrix that outlines state-specific information, including the fact that no mold endorsement exists in Virginia as mold damage caused by a covered peril is covered up to policy limits.

Reference Number CHO025 – The Company respectfully disagrees that it failed to provide a reasonable explanation of the basis for its denial. The disclaimer of coverage accurately noted that the policy provided coverage to property of others when the insured is legally liable for the loss. The letter also stated that the condo bylaws provide that the HOA will be legally responsible for water damage to the units. The Company had a good-faith basis for the denial at the time it was issued and it provided the claimants with a reasonable explanation of the basis for its denial. The Company acknowledges that the arbitrator subsequently rendered a decision against the Company and payment was issued. However, it is not a violation of 14 VAC 5-400-70-B to issue a denial for which there is a good-faith basis at the time the denial is issued just because there was a subsequent legal decision otherwise.

Reference Number CHO048 – The Company respectfully disagrees with this violation. After a thorough review of the claim file, it was determined that the claim involved loss to personal property in a storage unit due to the climate control not functioning properly. At no point did the insured advise that the damage occurred at the insured residence. The denial letter properly cited the 16 perils that apply to personal property and explained that this loss was not covered under the enumerated perils.

**7) The examiners found eight 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. These findings occurred with such frequency as to indicate a general business practice.**

**Response:** The Company accepts four violations and respectfully disagrees with four violations. In addition, the Company respectfully disagrees that these findings occurred with such frequency as to indicate a general business practice.

- a. In three instances, the company failed to properly pay the claim under the insured's Dwelling Replacement Cost coverage.**

**Response:** The Company accepts two violations and respectfully disagrees with one violation. The Company accepts the violations assigned the reference number CHO037 and CHO061.

Reference Number CHO037 - The Company agrees that the inappropriate deductible was applied to a sump pump endorsement. In February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster to easily pull the applicable endorsement, including the applicable

deductible for appropriate application. In addition, the Company will complete deductible training with all adjusters that will include the application of the appropriate deductible.

Reference Number CHO061 - The Company agrees that the exclusion of mold damage was inappropriate. Again, In February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster to easily pull the applicable policy form, Special Provisions, and any endorsements. In addition, the Company has completed and trained to a 50 State Matrix that outlines state-specific information, including the fact that no mold endorsement exists in Virginia as mold damage caused by a covered peril is covered up to policy limits.

The Company respectfully disagrees with the issue cited as Reference CHO022. The Company has no record of the check having been returned from the post office. System-generated letters sent to the insured location were returned to the Company. However, the check was mailed to the attention of the Executor at a different address. Therefore, the Company disagrees that it underpaid the claim in violation of 14 VAC 5-400-70 D, which requires "every insurer must offer to a first party claimant, or to a first party claimant's authorized representative, an amount which is fair and reasonable as shown by the investigation of the claim..." There is no indication or accusation that the amount sent to the Executor was unfair or unreasonable based on the investigation of the claim. The Company has made several attempts to reach the Executor to determine whether the check needs to be reissued and will continue to do so.

- b. In one instance, the company failed to properly pay the claim under the insured's Personal Property Actual Cash Value coverage.**

**Response:** The Company respectfully disagrees with the violation.

Reference CHO070 – The Company respectfully disagrees that it failed to offer to an insured an amount that was fair and reasonable where there was no dispute as to coverage or liability. Based on the photographs provided by the insured, as well as discussions with the insured regarding the cause of loss, the insured indicated that there was a humidity problem in the apartment and that there could be a leak in the roof. This is an HO 00 04 policy that only covers personal property for named perils. None of the enumerated perils apply to this loss as described by the insured. Therefore, the Company did not fail to offer an amount that was fair as coverage under the policy was disputed. A denial letter was issued.

- c. In one instance, the company failed to properly pay the claim under the insured's Additional Coverages.**

**Response:** The Company respectfully disagrees with the violation.

Reference CHO022 – The Company respectfully disagrees that it failed to offer an amount that was fair and reasonable as shown by the investigation of the claim and in accordance with policy provisions. The Debris Removal provision, as provided in the Virginia Special Provisions endorsement, allows coverage for the “reasonable expense incurred by you in the removal of debris of covered property provided coverage is afforded for the peril causing the loss.” In this case, neither decomposition nor insects are a named peril insured against for Coverage C. Further, Section I – Perils Insured Against section 2(e)(7) excludes coverage for loss by insects. The payment under Coverage A was made because the proximate cause of loss was considered the decomposition of the body, for which there is no exclusionary language. Losses incurred under Coverage C, however, are only covered if a named peril caused the damage. Here, neither insects nor decomposition are named perils covered under Coverage C. As there is no “coverage afforded for the peril causing the loss,” Debris Removal does not provide any additional coverage for the removal of contents.

**d. In three instances, the company failed to pay the entire claim under the insured's Personal Property Replacement Cost coverage.**

**Response:** The Company accepts two violations and respectfully disagrees with one violation. The Company accepts the violations assigned the reference number CHO023 and CHO063.

Reference Number CHO063 - The Company agrees that a deductible should have been applied over the special limit. It is the Company’s current process to apply the deductible over the special limit when appropriate. The Company will complete deductible training with all adjusters that will include the application of the deductible over the special limit.

Reference Number CHO023 - The Company agrees that adjuster did not pay for a Lego tower damaged due to the claim. Unfortunately, the adjuster missed the picture in the Independent Adjuster’s report showing the damage to the Lego tower. It is the Company’s expectation that adjusters will offer an amount that is fair and reasonable as shown by the investigation at all times. This error was due to inadvertent human error, and remediation will be completed.

Reference CHO040 – The Company respectfully disagrees that it failed to offer to an insured an amount that was fair and reasonable as shown by the investigation of his claim. The insured spoke with the adjuster and advised that he was not pursuing any additional payments. Additionally, the EFT ACV payment sent to the insured outlined that money was withheld from the Coverage C payment as

depreciation and also outlined that the insured was entitled to recover the value of the depreciation. However, the Personal Property Replacement Endorsement advises that the insured may choose to disregard this entitlement and make claim on an actual cash value basis, which is what the insured did by advising that no additional requests for payment will be submitted. Without providing proof of replacement of the personal property, no additional payment is owed.

**8) The examiners found 14 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.**

**Response:** The Company accepts 12 violations and respectfully disagrees with 2 violations. The Company accepts violations CHO002, CHO013, CHO023, CHO029, CHO036, CHO040, CHO054, CHO063, ChO067, and all three violations cited under Reference Number CHO051, and respectfully disagrees with the violations designated as reference numbers CHO002 and CHO028.

**a. In one instance, the company failed to inform the insured of applicable coverage, accurate policy limits, and the insured's duties after a loss.**

**Response:** Reference CHO 002 - The Company respectfully disagrees that it misrepresented pertinent facts or insurance policy provisions relating to coverage at issue. The Company received notice from the insured on 8/13/13 that the insured's son no longer lived with the insured. The son is not a named insured on the Declarations page. Under the Definitions section of the policy, "Insured means you [named insured on Declaration] and residents of your household who are: (a) your relatives; or (b) Other persons under the age of 21 and in the care of any person named above." At the time of loss, the insured's son was 23 and living with the named insured at the residence. However, at the time of the insured's passing, the insured's son no longer met the definition of "insured" as he was not a resident of the household. The policy provides, "If any person named in the Declarations or the spouse, if a resident of the same household dies: (a) We insure the legal representative of the deceased...(b) "Insured" includes (1) Any member of your household who is an "insured" at the time of your death, but only while a resident of the "residence premises" and (2) With respect to your property, the person having proper temporary custody of the property..." The insured's son was not an "insured" under either the Definitions or the Death provisions of the policy as he was not a member of the household at the time of the insured's death and was not a resident of the residence premises at the time of the insured's death. Therefore, the Company respectfully suggests that it did not fail to inform the insured of applicable coverage, accurate policy limits, or the insured's duties after loss.

- b. In 13 instances, the company failed to properly represent the replacement cost provisions of the policy.**

**Response:** The Company accepts twelve violations and respectfully disagrees with one violation. The Company accepts the violations assigned the reference number CHO002, CHO013, CHO023, CHO029, Cho036, CHO040, CHO054, CHO063, CHO067, and CHO051.

The Company acknowledges that the incorrect recovery period was provided to the insured in a number of system generated letters and other correspondence. In 2013, the system generated letter was updated to include the appropriate recovery period on all payment letters. In addition, the Company has completed and trained to a 50 State Matrix that outlines state-specific information, including recovery periods.

Reference CHO028 – The Company respectfully disagrees with this item. The timeframe for recovering depreciation was provided in writing on a number of occasions including 7/16/13, 12/5/13, and 3/27/14. Additionally, the claim notes reflect that the timeframe was explained and discussed on 6/14/13 during the initial contact with the insured and again on 7/12/13.

The insured does not appear “panicked” from the claim file. There was some concern regarding the custom railings as the insured expected it to take six months just for the stain to dry. However, the adjuster addressed this matter with the insured and the recoverable depreciation was issued on 4/22/13, prior to the expiration of the timeframe.

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

**Response:** The Company agrees that at the time of the examination, the findings occurred with such frequency as to indicate a general business practice.

**9) The examiners found two violations of § 38.2-510 A 2 of the Code of Virginia. The company failed to acknowledge and act reasonably prompt upon communications with respect to claims arising under insurance policies.**

**Response:** The Company accepts one violation and respectfully disagrees with one violation. The Company accepts the violation assigned the reference number CHO002.

The Company acknowledges that the adjuster did not address documentation indicating that the evidence was no longer useful, as noted in reference number CHO002. Today, the claims analytics team generates a report sent to management including all communications that have not

been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed within ten working days as required.

The Company respectfully disagrees with the violation cited as Reference Number CHO006. The adjuster left a message for both the policyholder and the property manager on 2/6/13. The policyholder returned the adjuster's call on 2/6/2013, at which time the claims notes confirm that the process was discussed.

**10) The examiners found 11 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.**

**Response:** The Company agrees with one violation and respectfully disagrees with the remaining ten violations. In addition, the Company respectfully disagrees that the findings occurred with such frequency as to indicate a general business practice. The Company accepts the violation assigned the reference number CHO055.

Reference CHO001, CHO003, CHO013, CHO023, CHO026, CHO029, CHO061 - The Company respectfully disagrees that subrogation and salvage are part of the investigation and required. The policy provides that an insurer "may require an assignment of rights and recovery for a loss to the extent that payment is made..." The policy language therefore does not require subrogation efforts, but leaves it to the business discretion of the insurer. Further, the Company is not aware of any Virginia statute, regulation, or case law that specifically requires an insurer to undertake subrogation efforts in any particular circumstance.

Reference CHO011 – The Company respectfully disagrees that a prompt investigation was not completed. At time of first notice of loss, on 3/6/13, the policyholder reported this as a faulty ignitions system on the furnace. An inspection of the property was conducted on 3/12/13 and confirmed this cause of loss.

Reference CHO066 – The Company respectfully disagrees that a prompt investigation was not completed. Although the adjuster did not obtain a copy of the condo association agreement, the Company does not believe this omission constitutes a violation of the reasonable investigation requirement. The adjuster spoke with the policyholder to determine the cause of the damage, spoke with the third-party claimant to determine the extent of the damage, and also provided an Independent Adjuster inspection to determine the extent of the damage and estimate of repair. This investigation was sufficient to determine that liability was reasonably clear under the terms of the renter's policy. Waiting for the production of the condo association bylaws may have caused a delay in making a prompt, fair and equitable settlement of the claim. Further, a new policy is effective as of 12:01 AM of the effective date, as noted on the policy declarations. As both the policyholder and the claimant had consistent statements as to the date of loss, it was

assumed for the benefit of the policyholder that the loss did not occur between 12:00AM and 12:01AM.

Reference CHO075 – The Company respectfully disagrees with this observation. The claim notes reflect that on 2/20/14, the insured spoke with an adjuster who accurately advised that there was an exclusion for intentional acts. An indication that an exclusion exists that may impact the claim is not a denial. In fact, the adjuster also indicated that the suit should be forwarded and further determination of coverage would be made based on the allegations in the suit. The 2/20/14 claim notes reflect that the insured understood. The adjuster then undertook to gather additional information by speaking with the claimant's attorney and requesting the police report as well as trying to gain further information from the insured. The disclaimer of coverage under the policy terms was primarily because the incident did not meet the definition of "occurrence" under the policy terms. In addition, the disclaimer was based on the policyholder's characterization of the incident, the policy report, and the fact that charges for assault with a dangerous weapon were brought against the insured.

**11) The examiners found two violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.**

**Response:** The Company respectfully disagrees with the two violations.

Reference CHO025 – The Company respectfully disagrees that it failed to make a prompt, fair and equitable settlement of claims in which liability has become reasonably clear. The Company received the condo bylaws on 6/25/13, which demonstrated that the insured would have liability up to the master policy deductible amount. On 7/11/13, the claimant first advised the Company of upgrades that were not covered under the master policy. An independent adjuster was sent to confirm the upgrades. The Company received the independent adjuster's confirmation on 7/29/13 and payment was issued to the claimant on 7/31/13. The timeline constitutes a prompt settlement once the extent of liability was confirmed.

Reference CHO054 – The Company respectfully disagrees that it violated § 38.2-510 A-6, which provides, "[n]ot attempting in good faith to make prompt, fair and equitable settlements of claims in which liability has become reasonable clear."

The Company was notified of the loss on 10/4/13. An independent adjuster was sent out to inspect the damage and an estimate was received back 10/12/13. The policyholder also sent an estimate, dated 10/14/13, that differed significantly from the independent adjuster's estimate regarding the type of flooring. As a result, a sample of the flooring was requested and revised and supplemental estimates were provided to the policyholder on 11/6/13. On the same date, the first payment was made, after the flooring type was verified and the amount of indemnification was determined.

Supplemental payments were made timely as the claim progressed and it became reasonably clear, through receipt of subsequent contract estimates, that additional indemnification was necessary. The Company acted in good faith in making these payments as liability became reasonably clear and indemnification amounts were substantiated.

**12) 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(s) under which payment was made.**

**Response:** The Company respectfully disagrees with the violation.

Reference CHO017 – The Company respectfully disagrees that the payment was not accompanied by a statement setting forth the coverage under which the payment was made. The check reflected in the line item that payment was made under Coverage C.

**13) The examiners found three violations 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.**

**Response:** The Company accepts one violation and respectfully disagrees with two violations.

**a. In two instances, the company failed to properly pay the claimant's claim under the Medical Payments to Others coverage of the policy.**

**Response:** The Company respectfully disagrees with this violation.

Reference CHO034 – The Company respectfully disagrees. Although Coverage F – Medical Payments does not require proof of liability, it is nonetheless subject to the Intentional Acts Exclusion. The policy provides, “Coverage E – Personal Liability and Coverage F – Medical Payments to Others do not apply to “bodily injury” or “property damage.” A) Which is expected or intended by the insured.” Further, the intentional shooting of a weapon does not constitute an “occurrence” as defined by the policy: “Occurrence” means an accident...which results, during the policy period, in ...'bodily injury'...”

As the investigation regarding whether the event constituted an intentional act was ongoing and as Declaratory Action regarding the issue had been filed, the medical payments have properly not yet been issued.



The other violation reported under this provision was rewritten to CHO011 and addressed as a violation of § 38.2-510 A 3. This claim does not include Medical Payments.

- b. In one instance, the company failed to properly pay the claimant's claim under the Liability coverage of the policy.**

**Response:** The Company agrees with this violation.

The Company agreed that the adjuster did not pay the claimant's claim under the Liability coverage of the policy. The adjuster did not address incoming correspondence requesting the tenant's coverage. Remedial payment has been issued to the tenant. Today, the claims analytics team generates a report sent to management including all communications that have not been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed.

- 14) The examiners found three 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 his/her policy.**

**Response:** The Company accepts two violations and respectfully disagrees with one violation. The Company accepts the violations assigned the reference numbers CHO055 and CHO059.

Reference Number CHO055 - The Company agrees that the adjuster paid for theft damages without requiring a police report, as required by the policy. In 2014, Standards of Production (SOP) were created and trained to that outline the requirement of a thorough investigation based on claim specialty. For theft claims, the SOP requires the adjuster to request all necessary information, including a police report, needed to investigate the claim.

Reference Number CHO059 - The Company agrees that the adjuster applied one deductible where two should have been applied as two losses occurred. In 2014, Standards of Production (SOP) were created and trained to that outline the requirement of a thorough investigation based on claim specialty. The SOP requires the adjuster to request all necessary information needed to investigate the claim, including the number of occurrences and losses causing the damage claimed.

Reference CHO011 - The Company respectfully disagrees with this violation. At time of first notice of loss, the policyholder reported this as a faulty ignition system on the furnace. An inspection of the property was conducted and confirmed this cause of loss. There was no indication that the damage was caused by an earthquake. Although the independent adjuster did confirm a covered cause of loss, had the investigation been unable to conclude the cause, the

Company would have nevertheless been obligated to pay the loss if it was unable to determine the applicability of any exclusion.

### **Other Law Violations**

**The Report stated: “Although not a violation of Virginia insurance laws, the examiners noted the following as violations 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.”**

**Response:** The Company agrees with the violation.

The Company agrees that the settlement agreement did not include the statement regarding insurance fraud. The liability and litigation teams will be trained to include fraud language on all Virginia releases. In addition, all system generated letters are set up to include fraud language where necessary.

### **REVIEW OF FORMS**

#### **Homeowner Policy Forms**

### **NEW BUSINESS POLICIES**

**The Report stated: “The examiners found five violations of § 38.2-604 A of the Code of Virginia. The company failed to provide the Notice of Information Collection and Disclosure Practices to the insured.”**

**Response:** The Company accepts the five violations. The Company has developed revised scripting for telephone applicants that contains the abbreviated notice requirements set forth in the statute. An article has been added to the Company’s on-line library which serves as a knowledge base for employees across the organization. Additionally, the Company is developing a system-based solution to add the abbreviated notice language as a pop-up on the sales platform when a customer is applying for a Virginia policy.

### **REVIEW OF STATUTORY NOTICES**

#### **GENERAL STATUTORY NOTICES**

The company provided copies of 28 general statutory notices that were used during the examination period.

**1) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company failed to include all of the information required by the statute in its Notice of Information Collection and Disclosure Practices.**

**Response:** The Company accepts this violation. The Company will develop revised scripting for telephone applicants that contains the abbreviated notice requirements set forth in the statute.

**2) The examiners found one violation of § 38.2-604.1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Notice of Financial Information Collection and Disclosure Practices.**

**Response:** Homesite respectfully disagrees with the observation. Subdivision 1 of § 38.2-604.1 B is addressed within the Privacy Policy under the section entitled "What kind of information do we collect about you." Subdivisions 2 & 3 of § 38.2-604.1 B are addressed within the Privacy policy under the section entitled "What do we do with the information collected about you."

**3) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company's Adverse Underwriting Decision (AUD) notice did not contain substantially similar language as that of the prototype set forth in Administrative Letter 1981-16.**

**Response:** The Company accepts one violation and respectfully disagrees with one violation.

The Company agrees with the violation assigned the reference number NGS040 and will revise the online Adverse Underwriting decision statement to bring it into compliance with 38.2-610 A.

The Company respectfully disagrees with the violation assigned the reference number NGS041. The Company mails such written Adverse Underwriting Decision Notices to applicants as required by statute. A copy of a standalone adverse underwriting Decision Notice used during the examination period was provided to the examiners.

#### **Statutory Property Notices**

**The Report stated: "The company provided copies of 89 statutory property notices that were used during the examination period."**

**1) The examiners found 12 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 Coverage Disclosure notice.**

**Response:** The Company agrees with the 12 violations cited. A revised Flood Coverage Disclosure was released on 2/26/2015, a copy of which is attached as Exhibit #15.

2) **The examiners found one violation of § 38.2-2126 A 1 of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.**

**Response:** The Company accepts this violation. The Company will develop revised scripting for telephone applicants that contains the abbreviated notice requirements set forth in the statute.

### **LICENSING AND APPOINTMENT REVIEW**

#### **Agent Review**

1) **The examiners found 27 violations of § 38.2-1822 of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in the Commonwealth of Virginia.**

**Response:** The Company accepts the 27 violations. Homesite's Operational Compliance Department has instituted a monthly license auditing process to identify and address occurrences where an unlicensed individual may have acted in the capacity of an agent. The monthly audit findings are distributed to the appropriate department management teams to address with the individual representatives and provide any necessary re-training. The first audit results were published in February 2015 for January 2015 activity. This audit will be conducted monthly on an ongoing basis.

2) **The examiners found two violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.**

**Response:** The Company accepts both violations.

### PART THREE- EXAMINERS' NOTES

#### RECOMMENDATIONS

We recommend that the company take the following actions:

##### Rating and Underwriting

- **The company should show the total limit for the Loss Assessment coverage on the declarations page when additional coverage is purchased.**

**Response:** The Company thanks the examiners for the recommendation and will take it under advisement.

- **The company should correct the Deductible Interpolation example for the \$1,000 deductible found in Rule 406.**

**Response:** The Company will adopt this recommendation with its next rule filing.

- **The company should make Rule 301 A 3 correspond to the 300 and 400 Series rules for premium computation. Correctly indicate if the factors are applied to the base premium or tiered base premium in Rule 301 and the individual rules.**

**Response:** The Company addressed this recommendation as part of SERFF Filing #HMSS-129525825. The changes were effective 09/16/2014 for new business and 09/11/2014 for renewal business.

- **The company should clarify Earthquake Rule 505 D 5 for adding Ordinance or Law coverage premium.**

**Response:** The Company addressed this recommendation as part of SERFF Filing #HMSS-129525825. The changes were effective 09/16/2014 for new business and 09/11/2014 for renewal business.

- **The company should add the Maximum Deductible Credit calculation back into Windstorm Rule 590 B 2.**

**Response:** For Form HO 00 04, there is no Maximum Deductible Credit calculation in the Windstorm premium calculation (Rule 590.B.2). The references to the Maximum Deductible Credit in the Renter Rates manual will be removed with the next rate filing.

- **The company should file Windstorm rates for the 500 Series rules for Renters policies.**

**Response:** The Company thanks the examiners for the recommendation and will take it under advisement.

- **The company should only list the Windstorm or Hail Fixed-Dollar Deductible endorsement HH 80 06 on the declarations page when it is applicable to the policy.**

**Response:** The Company has begun the IT development process to correct this issue and expects to release the changes in the second quarter of 2015.

#### **Claims**

- **The company should inform the insured of the benefits under the Additional Living Expense coverage of the policy.**

**Response:** The Company respectfully disagreed that the Company did not inform the insured of the benefits under the Additional Living Expense coverage of the policy. To prevent this violation from occurring in the future, in 2014, Standards of Production were created and trained to that include the requirement to address Additional Living Expense on all claims where it may be applicable.

- **The company should acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.**

**Response:** The Company agreed with two violations of this requirement. Today, the claims analytics team generates a report sent to management including all communications that have not been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed within ten working days as required.

- **The company should notify the insured within 45 days from the date of notification of a first party claim the reason for the delay.**

**Response:** The Company respectfully disagreed that the Company did not notify the insured within 45 days from the date of notification of a first party claim the reason for the delay. To prevent this violation from occurring in the future, the Company's claim systems alert the adjuster every 21 days to review the claim file and send a follow-up letter if additional time is needed to complete the claim or if additional documentation is needed from the insured. In addition, a 50 State

Matrix was completed and trained to. This Matrix includes state-specific provisions, including timely handling requirements.

- **The company should make all claim denials in writing and keep a copy in the claim file.**

**Response:** The Company agreed with five violations of this requirement. In 2014, Standards of Production were created and trained to that include the requirement to send a partial denial or denial letter when the claim or any portion of the claim is not covered under the policy. In addition, all denial letters and partial denial letters are created within the claim system and stored in the file. Finally, the quality assurance department reviews claim files to ensure denial letters or partial denial letters are created and sent as required.

- **The company should provide a reasonable explanation of the basis for the denial in its written denial of the claim.**

**Response:** The Company agreed with two violations of this requirement. First, the denial letter included policy provisions that did not apply to the claim. In 2014, Standards of Production were created and trained to that include the requirement to “quote the policy language that applies.” In addition, a denial letter was sent for mold damage that should have been covered under the policy. In February of 2015, the Company began adjusting claims in a new claim system. This claim system allows the adjuster to easily pull the applicable policy form, Special Provisions, and any endorsements. In addition, the Company has completed and trained to a 50 State Matrix that outlines state-specific information, including the fact that no mold endorsement exists in Virginia as mold damage caused by a covered peril is covered up to policy limits.

- **The company should acknowledge and act reasonably promptly upon communications with respect to claims.**

**Response:** The Company agreed with one violation of this requirement. The adjuster did not address documentation indicating that the evidence was no longer useful. Today, the claims analytics team generates a report sent to management including all communications that have not been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed within ten working days as required.

- **The company should make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.**

**Response:** The Company respectfully disagreed that the Company did not make prompt, fair, and equitable settlement of claims in which liability was reasonably clear. To prevent this violation from occurring in the future, in 2014, the Standards of Production were created and trained to outlining requirements for prompt, fair, and equitable settlements of claims. In addition, the 50 State Matrix was created and trained to, which outlines state-specific timeliness standards.

- **The company should include a correct statement of coverage under which payments are made with all claim payments made to insureds.**

**Response:** The Company respectfully disagreed that the Company did not include a correct statement of coverage under which payments are made with all claim payments made to insureds. To prevent this violation from occurring in the future, the payment letters are created to include the correct statement of coverage under which payments are made.

- **The company should properly pay the claimant's claim under the Medical Payments to Others and the Liability coverage of the policy.**

**Response:** The Company respectfully disagreed that the Company did not pay the claimant's claim under the Medical Payments to Others provision. However, the Company agreed that the adjuster did not pay the claimant's claim under the Liability coverage of the policy. The adjuster did not address incoming correspondence requesting the tenant's coverage. Today, the claims analytics team generates a report sent to management including all communications that have not been responded to within three days. By alerting the adjuster within three days of receipt of communication, all communication will be addressed.

#### **Forms**

- **The company should use the same text font format as the ones on file with the Bureau for forms HO 00 03, HO 00 06, HO 00 04, HO 04 14, and HO 04 61.**

**Response:** The Company thanks the examiners for the recommendation. The Company is in the process of resolving some of the noted formatting issues, and will continue to address this topic on a going-forward basis.

#### **Notices**

- **The company should list its phone number and the BOI's TDD number in the Important Information Regarding Your Insurance company's contact section.**



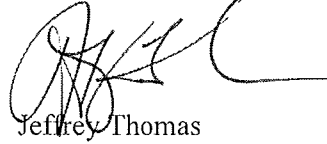
Ms. Joyclyn M. Morton, Supervisor  
April 17, 2015  
Page 39 of 39

**Response:** The Company will revise its Consumer Contacts Notice (Form HMI006) to incorporate the Bureau's recommendations. The revised notice is scheduled to be released in the 3<sup>rd</sup> Quarter of 2015.

Sincerely,

MITCHELL, WILLIAMS, SELIG,  
GATES & WOODYARD, P.L.L.C.

By

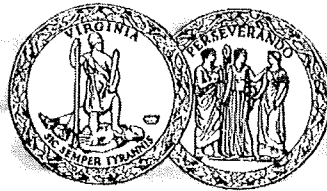


Jeffrey Thomas

JHT:ka  
Enclosures

# COMMONWEALTH OF VIRGINIA

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



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<http://www.scc.virginia.gov/division/bo>

June 23, 2015

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

Jeffrey Thomas  
Mitchell, Williams, Selig Gates and Woodyard, PLLC  
425 West Capitol Avenue  
Suite 1800  
Little Rock, AK 72201-3525

Re: Market Conduct Examination  
Homesite Insurance Company (NAIC# 17221)  
Examination Period: January 1, 2013–December 31, 2013

Dear Mr. Thomas:

The Bureau of Insurance (Bureau) has reviewed the April 17, 2015 response to the Preliminary Market Conduct Report of Homesite 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 (Report). This response follows the format of the Report.

## COMPANY PROFILE

### Page 2

The Company's profile is directly from the Best's Insurance Report by A. M. Best Company. To change this information the Company should contact A. M. Best and provide alternative language.

### Page 4

The Report is revised to reflect the following "The business was developed through both independent agents and through direct marketing partnerships."

## PART ONE – THE EXAMINERS’ OBSERVATIONS

### Rating and Underwriting Review

#### HOMEOWNER NEW BUSINESS POLICIES

The \$5.00 overcharge for RHO019 has been withdrawn from the Report. The Report has been amended to reflect this change.

- (2a) After further review, the violations for RHO002 and RHO004 have been withdrawn from the Report. The undercharges for these items have been removed.
- (2b) Please advise the anticipated date that the Company will complete the system change for the print logic issue.
- (2c) Please advise the anticipated date that the Company will file the revision to Rules 301 A1 and 2.

#### HOMEOWNER RENEWAL BUSINESS POLICIES

- (2a) After further review, the violations for RHO055 and RHO061 have been withdrawn from the Report.
- (2b) The violation for RHO045 remains in the Report. The filed HO 00 06 Policy holder Responsibility Tiers manual page did not indicate that the prior insurance determination was made only at the time of application. At the time this policy renewed, the insured had continuous insurance with Homesite for four years. The Company cannot continue to indefinitely rate the policy based upon characteristics that have changed since the policy was originally rated.

After further review, the violation for RHO063 has been withdrawn from the Report. The Company provided the screen print showing the original quoted policy effective date as requested by the examiner.

- (2c) The violation for RHO037 remains in the Report. The Company has not provided documentation to support its position. The examiner requested a copy of the map the Company used to plot out the zip codes and the Homesite Territory Definitions 2.0 page used by the Company. For reconsideration, the Company should provide documentation that indicates the June 2007 database of zip codes and the corresponding latitude and longitude coordinates.

- (3) These items remain in the Report. The statute specifically states the credit should be updated at once every three years. The statute does indeed address thin files and No Hits ;however, it does not relieve the Company of updating the credit information at least once every three years unless the insured has obtained the best pricing available using the credit scoring criteria.

## **TERMINATIONS REVIEW**

### **Homeowner Notices after the 89<sup>th</sup> Day of Coverage**

- (2) The violations for THO052, THO054 and THO063 remain in the Report. The address that is relevant to this policy is the address that was provided to the Company by the insured. The insured did not provide a change of address; therefore, the notice should have been sent to the address provided by the insured.
- (4a) After further review, the violation for THO042 has been withdrawn from the Report. The Company provided documentation to support their position that this policy was canceled in 2011 and incorrectly reinstated to process a change of address.
- (4b) The violation for THO041 remains in the Report. The company's Exhibit #8 is a transaction history screen submitted by the company to show that there were no additional transactions once the policy cancellation was processed; therefore the address was changed prior to cancellation. As mentioned in #2 above, the address relevant to this policy is the address provided by the insured. For reconsideration, please provide evidence of a change of address request from the insured.

The violation for THO066 remains in the Report. The Code of Virginia clearly states in section 38.2-2113 "...the name and address of the insured stated in the policy". As mentioned in #2 above, the address relevant to this policy was the address provided by the insured. For reconsideration, please provide evidence of a change of address request from the insured.

### **Insured Requested Cancellations**

- (1) After further review, the violation for THO124 has been withdrawn. However, it is our recommendation that the Company pay closer attention to the statistical reporting of the terminations. According to the documentation provided it appears that the insured requested that this policy expire at the end of the August 30, 2013 policy period. The Company issued a new policy in October of 2013 that was not requested and then showed a termination date prior to the policy effective date.
- (2) After further review, the violation for THO124 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

## **Non-renewal Policies**

- (3) After further review, the violation for THO128 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

## **CLAIMS REVIEW**

### **Homeowner Claims**

- (1) The violation for CHO002 remains in the Report. The Company sent letters to the insured that were not relevant to the loss. The status of the property owner is relevant to the claim file as it relates to future payments. The claim file should contain relevant information which most certainly would include ownership documentation.

After further review, the violation for CHO024 has been withdrawn from the Report.

The violation for CHO030 remains in the Report. The document in the file was not related to the claim. Placing documents in the wrong claim files is a documentation issue.

The violation for CHO043 remains in the Report. The Company advised the insured that there was no mold endorsement on the policy, leading the insured to conclude there was no coverage for mold. The statement made by the Company was misleading. The policy covers mold resulting from a covered loss.

The violation CHO045 remains in the Report. A letter intended to be sent in 2013 that was not sent until 2014 speaks for itself with regard to proper documentation.

The violation for CHO059 remains in the Report. The company was not aware of the improper payment until the file was reviewed by the Bureau. The overpayment was as a result of missing documentation in the claim file.

The violation for CHO066 remains in the Report. The Company's file is not documented regarding proof of damages equal to the amount paid. The Company's file is not documented regarding primary versus excess coverage in the Condominium Association Agreement.

After further review, the violation for CHO075 has been withdrawn from the Report.

- (2) The violation for CHO023 remains in the Report. The insured's home sustained \$32,000.00 in damages when a tree fell through the sunroom roof.

It is not reasonable for the Company to avoid advising the insured of available ALE coverage when a loss of this magnitude was initially reported. The description of loss was more than sufficient to discuss the need for ALE with the insured.

After further review, the violation for CHO026 is withdrawn from the Report. The violation

(4) The violation of CHO034 remains in the Report. The Company has not accepted coverage for this loss and therefore, the insured, who as a first party claimant under his policy, has a right to be notified of the reasons additional time is needed to investigate the claim and determine coverage.

(6) The violation for CHO025 remains in the Report. The Company was aware of its duty under the policy on 7/9/2013 according to its letter to the Condominium Association. The Arbitration of 8/21/2013 was after the fact.

The violation for CHO048 remains in the Report. The claim number provided in the Company's data sample and shown on the review sheet involves damage to a residential home. This claim did not involve a storage unit. The Company denied coverage for the roof and interior water damage. The denial for the roof was appropriate. The denial for interior water damage was incorrect. The policy would have covered the resulting interior water damage.

(7a) The violation for CHO022 remains in the Report. The check was not cashed, letters were returned to the Company and the Company made no attempt to determine if the insured received the check until after the file was examined by the Bureau.

(7b) The violation for CHO070 remains in the Report. The Company did not determine the cause of loss to the building. If the cause of loss to the building was a covered cause of loss, the resulting damage to personal property would be covered.

(7c) The violation for CHO022 remains in the Report. The dwelling was a covered cause of loss. As such, there was coverage for debris removal within the dwelling.

(7d) After further review, the violation for CHO040 has been withdrawn from the Report.

(8a) The violation for CHO002 remains in the Report. The son's residency was established at the time of the loss. There is no question that he was living with the insured. Clearly the Company agreed with this as the son's ALE was paid under the policy. The Company is contending that the son was not living in the home at the time of his father's death after the fire. The home was not habitable as a result of the fire and it would therefore not have been possible for the son to live there.

- (8b) After further review, the violation for CHO028 has been withdrawn from the Report.
- (9) The violation for CHO006 remains in the Report. The insured sent a letter to the Company on 3/6/2013 asking why he had not been contacted since the initial report of 2/6/2013.
- (10) The violations for CHO001, CHO003, CHO013, CHO0026, and CHO061 remain in the Report. In all instances, the Company made no attempt to investigate and/or identify the at-fault party. The Company has an obligation to investigate claims. Further, the Company prejudiced the insureds by not completing an investigation wherein the insureds could recover their deductibles.

The violation for CHO011 remains in the Report. The Independent Adjuster advised the Company that the insured's chimney was falling apart possibly due to earthquake, for which there is no coverage. The Company paid the loss without any further investigation. The cause of the loss remains unknown.

The violation for CHO023 remains in the Report. The Company was advised by the Independent Adjuster that the claim cost could be reduced through the sale of the salvaged aluminum. The claim file does not mention a business decision by the Company to waive salvage recovery through terminating any additional investigation.

The violation for CHO029 remains in the Report. The claim file is lacking any investigation into the ownership of the item, the value of the item, or proof of a theft. This loss was paid without an investigation into any pertinent facts surrounding the alleged theft.

The violation for CHO066 remains in the Report. The Condominium contract impacts the coverage. The Company did not investigate which policy was primary and which policy was excess. The Company paid a claim under the insured's policy without proof that the insured was contractually responsible for the payment of damages. It is not beneficial to the insured for a claim to be paid when there was no evidence that the insured was responsible.

The violation for CHO075 remains in the Report. The Company verbally denied coverage without first obtaining the facts of the loss or initiating an investigation. The insured did not respond to subsequent contact as he understood his claim was denied per his conversation with the Company. The question of coverage is not the basis of this violation. This violation arises out of the Company's failure to complete an investigation before verbally denying the claim.

- (11) The violation for CHO025 remains in the Report. The Company received this claim on 6/3/2013. The Company did not call the Independent Adjuster to

arrange for an inspection of the damage until 6/19/2013. The Company did not obtain the Condominium By-Laws until 6/25/2013. The Company did not confirm liability to the third party until 7/9/2013. The Company was in possession of the By-Laws. The additional delay (above and beyond the above) was as a result of the Company not obtaining information relevant to the resolution of the claim when the By-Laws clearly stated upgrades were not covered.

The violation for CHO054 remains in the Report. The loss was reported 10/4/2013. The insured was not provided a copy of an estimate until 11/6/2013. The Company's initial repair estimate was \$4,277.48. On 2/4/2013, the Company finally made the last payment on the claim which totaled \$15,672.82 in damages.

- (12) The violation for CHO017 remains in the Report. The Company's check states: "Cov A \$14,962.95 RCV less \$2,457.06 rd = \$12,505.89 less \$500.00 ded = \$12,005.89". This was a Coverage C (personal property) loss. There was no Coverage A loss.
- (13) The violation for CHO034 remains in the Report. Medical Payments coverage is accident based coverage, not occurrence. Further, the trigger of coverage in this claim is based on the following policy language " b.- is caused by the activities of the insured.". The insured stated that he did not intend to injure the claimant and therefore, the result was unintentional.
- (14) The violation for CHO011 remains in the Report. The Independent Adjuster advised the Company that the insured's chimney was falling apart possibly due to earthquake, for which there is no coverage. The Company paid the loss without any further investigation. The cause of the loss remains unknown.

### **General Statutory Notices**

- (2) After further review, the violation for NGS039 has been removed from the Report. The Report has been renumbered to reflect this change.
- (3) After further review, the violation for NGS041 has been removed from the Report. The Report has been renumbered to reflect this change.

### **CORRECTIVE ACTION PLAN**

#### **General**

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



## Review of Policy Issuance Process

Provide a copy of the revised telephone script that contains the abbreviated Notice of Information Collection and Disclosure Practices.

### PART THREE – RECOMMENDATIONS

#### Rating and Underwriting

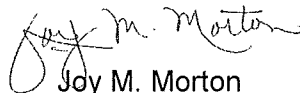
- Please provide the anticipated date for filing the revision to Rule 406.
- Please confirm that the revisions in filing #HMSS-129525825 for rule 301 A1 b IV apply to rule 303 A instead of rule 303 B.
- Please confirm that with the revisions in filing #HMSS-129525825, the company no longer intends to include an additional premium charge for Ordinance or Law coverage for Building or Non-building Structure Items in rule 505. Is the Company no longer offering this coverage for loss to Building or Non-building Structure Items due to an Earthquake?
- Please provide the anticipated date for filing revisions to rule 590 B 2.
- The Company will continue to be out of compliance until it files specific Windstorm Renters Rates or files a rule that specifies the Owner Windstorm Rates should be applied to Renters policies.

#### Claims

- This Recommendation remains in the Report. The Company should inform the insured of the benefits available under the Additional Living Expense coverage in the policy.
- This Recommendation remains in the Report. The Company should amend its process to inform the insured every 45 days of the reason additional time is needed to investigate the claim.
- The Company should make all claim denials in writing.

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, and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by July 15, 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)

cc: Jane Garrison

# MITCHELL || WILLIAMS

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August 7, 2015

Ms. Joyclyn M. Morton, Supervisor  
Virginia Bureau of Insurance  
Market Conduct Section  
Property & Casualty Division  
1300 East Main Street  
Richmond, VA 23218

RE: Market Conduct Examination  
Homesite Insurance Company (NAIC #17221)  
Examination Period: January 1, 2013 – December 31, 2013

Dear Ms. Morton:

Homesite Insurance Company (the "Company") is in receipt of your letter dated June 23, 2015, and the revised examination Report for the period of January 1, 2013 through December 31, 2013. We have read the revised Report and appreciate the opportunity to reply.

## COMPANY PROFILE

Page 2

### Bureau Response (June 23, 2015)

**The Company's profile is directly from the Best's Insurance Report by A. M. Best Company. To change this information the Company should contact A.M. Best and provide alternative language.**

Company Reply: The Company appreciates the Department's clarification. The Company respectfully proposes the following language for consideration: "The company is based in Boston, Massachusetts and is licensed in 40 jurisdictions in the United States."

## PART I – RATING AND UNDERWRITING REVIEW

### Homeowners New Business Policies

#### **Bureau Response (June 23, 2015)**

**The \$5.00 overcharge for RH0019 has been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing RHO0019 from the report.

#### **Bureau Response (June 23, 2015)**

**2(a) - After further review the violations for RHO002 and RHO004 have been withdrawn from the Report. The undercharges for these items have been removed.**

Company Reply: The Company appreciates the Department withdrawing these from the Report. However, section 2a of the prior report states “*In one instance, the company failed to use the correct discounts and/or surcharges.*” There are no violations noted under this category in the Violation Summary. The Company respectfully requests that this section be removed from the report.

Further, in section 2b of the prior report (dated February 13, 2015), it states, “*In one instance, the company failed to use the correct base and/or final rates.*” This section was removed from the revised draft report. However, RHO033 remains in the Violation Summary. Please advise whether RHO033 has been reclassified to another section.

#### **Bureau Response (June 23, 2015)**

**2(b) - Please advise the anticipated date that the Company will complete the system change for the print login issue.**

Company Reply: The Company anticipates completing the system change by the end of Q4, 2015.

#### **Bureau Response (June 23, 2015)**

**2(c) - Please advise the anticipated date the Company will file the revision to Rules 301 A1 and 2.**

Company Reply: The Company anticipates filing the revision to Rules 301 A1 and 2 by the end of Q4, 2015.

### **Homeowners Renewal Business Policies**

2. The Company appreciates the Department withdrawing RHO055, RHO061 and HO063 from the report, however disagrees with the total overcharges and undercharges.

#### **Bureau Response (June 23, 2015)**

**2(a) - After further review, the violations for RHO05 and RHO061 have been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing these from the Report.

#### **Bureau Response (June 23, 2015)**

**2(b) - The violation for RHO045 remains in the Report. The filed HO 00 06 Policy holder Responsibility Tiers manual page did not indicate that the prior insurance determination was made only at the time of application. At the time this policy renewed, the insured had continuous insurance with Homesite for four years. The Company cannot continue to indefinitely rate the policy based upon characteristics that have changed since the policy was originally rated.**

Company Reply: The Company proposes to file a revised rule that more precisely explains the use of prior insurance in the "Tier Definitions - HO 00 06" section of the rate manual. The revised rule will be filed by end of Q4, 2015.

Proposed rule: "For customers who have a lapse in insurance coverage or no prior insurance, determine the tier assignment based on Insurance Score and Prior Claim History, then increase the tier assignment to the next highest tier. The status of lapse in insurance coverage and the existence of prior insurance are determined at the time of new business and do not change throughout the lifetime of the policy."

#### **Bureau Response (June 23, 2015)**

**2(b) - After further review, the violation for RHO063 has been withdrawn from the Report. The Company provided the screen print showing the original quoted policy effective date as requested by the examiner.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**2(c) - The violation RHO037 remains in the Report. The Company has not provided documentation to support its position. The examiner requested a copy of the map the Company used to plot out the zip codes and the Homesite Territory Definitions 2.0 page used by the Company. For reconsideration, the Company should provide documentation that indicates the June 2007 database of zip codes and the corresponding latitude and longitude coordinates.**

Company Reply: The Company creates and documents territory definitions using maps in a spatial GIS (Geographic Information System) data format known as .GSB, which can only be opened using GIS software. In lieu of sending a file that would require this software, please refer to the following exhibits for additional information:

**Exhibit 1** – Explanation of zip code and territory mapping process

**Exhibit 2** – Map of 2007 zip codes

**Exhibit 3** – Map of 2007 zip code 23065 and associated latitudinal and longitudinal coordinates

The coordinates returned from the vendor database for this particular address are: latitude 37.82402; longitude -77.9077. **Exhibit 3** depicts the policy's location relative to the 2007 zip code boundaries. The green dot on the map of **Exhibit 3** represents the location of the property based on the latitude-longitude coordinates. The coordinates correspond to zip code 23065, which in turn is assigned Territory code 309. Thereafter, factors associated with Territory Code 309 are employed for pricing purposes.

Note: Territory Definitions 2.0 are included in this response for your reference. See **Exhibit 4**. Please note that the version displayed - "Edition 1.0" – on the right footer of each page is inaccurate. The footer should display "Edition 2.0." This labelling error will be corrected and filed by end of Quarter 4, 2015.

**Bureau Response (June 23, 2015)**

**(3) - These items remain in the Report. The statute specifically states the credit should be updated at once every three years. The statute does indeed address thin files and No Hits. However, it does not relieve the Company of updating the credit information at least once every three years unless the insured has obtained the best pricing available using the credit scoring criteria.**

Company Reply: The Company proposes to clarify the rules in the Pricing Class Definitions – HO 00 03 under Insurance Score Class as follows: “1. The Insurance Risk Score is retrieved at new business and, thereafter, it is updated every three policy terms. If no information is returned from the data gathering process from the consumer reporting agency to update an Insurance Risk Score, the Insurance Risk Score previously obtained is used. The Insurance Risk Score is then re-inquired and updated for the following renewal. An affirmative “No Hit” or “No Score” result returned from a consumer reporting agency is valid returned information and is treated as an updated Insurance Risk Score.”

This rule will be filed in accordance with 38.2-2126(C)(iii). The revision will be filed by end of Quarter 4, 2015.

## TERMINATION REVIEW

### Homeowner Notices after the 89<sup>th</sup> Day of Coverage

#### Bureau Response (June 23, 2015)

**(2) - The violations for THO052, THO054 and THO063 remain in the Report. The address that is relevant to this policy is the address that was provided to the Company by the insured. The insured did not provide a change of address; therefore, the notice should have been sent to the address provided by the insured.**

Company Reply: The Company respectfully disagrees with the observation for the reasons previously stated. Form HO0145 0709 (see section Special Provisions – Section I & II Conditions paragraph 5 Cancellation, and paragraph 6 Nonrenewal) states that when the Company sends a termination notice, it will be sent by the United States Postal Service (USPS). (See **Exhibit 5.**) The USPS requires a move update service to reduce the number of return mail pieces it processes. Pursuant to this goal, the Company reconciles policyholder mailing addresses with the National Change of Address (NCOA) service. The NCOA is an USPS preapproved address update service.

NCOA matches the insured address (listed on a file provided by the Company) with the USPS NCOA database. The database contains all change of address requests submitted by mail recipients. Only if there is an exact address match between the Company’s file and the NCOA database, is the address changed to the new address on file with the USPS. Once a matching address is identified, the document is printed and mailed to the accurate and most current address available to reach the policyholder. If there is not an exact match of addresses between the Company file and the NCOA database, documents are sent to the mailing address listed on the policy.

By following the above procedure, and by clearly stating the Company's use of the USPS on the policy contract, the Company submits that the NCOA process to receive notice of change of address is consistent with the purpose of the statute. Furthermore, the Company believes that this procedure is beneficial to consumers because it provides timely notice to a policyholder and avoids delays in receiving important documents as a result of returned mail from an obsolete mailing address. Finally, the Company also believes that it is diligently pursuing a broader government policy by reducing the cost for the USPS by reducing the number of returned mailing items.

**Bureau Response (June 23, 2015)**

**4(a) - After further review, the violation for THO042 has been withdrawn from the Report. The Company provided documentation to support their position that the policy was canceled in 2011 and incorrectly reinstated to process a change of address.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**4(b) - The violation for THO041 remains in the Report. The Company's Exhibit #8 is a transaction history screen submitted by the Company to show that there were no additional transactions once the policy cancellation was processed; therefore the address was changed prior to cancellation. As mentioned in #2 above, the address relevant to this policy is the address provided by the insured. For reconsideration, please provide evidence of a change of address request from the insured.**

Company Reply: Homesite respectfully disagrees with the observation. The insured provided the Company with the mailing address in February 2013 when he contacted the Company and informed the Company that the insured dwelling was no longer owner occupied. (See **Exhibit 6.**) Prior to this phone conversation with the insured, the mailing address on the policy was the same as the insured location address. (See **Exhibit 6.1** for a copy of the Declarations page highlighting that the insured location and mailing address were initially the same. See **Exhibit 6.2** for documented evidence that the policyholder called the Company and communicated a change of mailing address. See **Exhibit 6.3** for evidence that the updated mailing address was entered on to the Company's system.)

**Bureau Response (June 23, 2015)**

**4(b) - The violation for THO066 remains in the Report. The Code of Virginia clearly states in section 38.2-2113 "...the name and address of the insured stated in the policy". As mentioned in #2 above, the address relevant to this policy was the address provided by the insured. For reconsideration, please provide evidence of a change of address request from the insured.**

Company Reply: Please see the Company's response to Termination Review (2) above.

### **Insured Requested Cancellations**

#### **Bureau Response (June 23, 2015)**

(1) - After further review, the violation for THO124 has been withdrawn. However, it is our recommendation that the Company pay closer attention to the statistical reporting of the terminations. According to the documentation provided it appears that the insured requested that this policy expire at the end of the August 30, 2013 policy period. The Company issued a new policy in October of 2013 that was not requested and then showed a termination date prior to the policy effective date.

Company Reply: The Company appreciates the Department withdrawing this from the Report.

#### **Bureau Response (June 23, 2015)**

(1) - After further review, the violation for THO0124 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

Company Reply: The Company appreciates the Department withdrawing this from the Report.

### **Non-renewal Policies**

#### **Bureau Response (June 23, 2015)**

(1) - After further review, the violation for THO0128 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

Company Reply: The Company appreciates the Department withdrawing this from the Report.

### **CLAIMS REVIEW**

#### **Homeowner Claims**

#### **Bureau Response (June 23, 2015)**

(1) - The violation for CH0002 remains in the Report. The Company sent letters to the insured that were not relevant to the loss. The status of the property owner is relevant to the claim file as it relates to future payments. The claim file should contain relevant information which most certainly would include ownership documentation.



Ms. Joyclyn M. Morton, Supervisor  
August 7, 2015  
Page 8 of 59

Company Reply: Company will conduct further training to all staff claims adjusters regarding documenting claims files sufficiently to reconstruct events and/or dates that are pertinent to the claim. In addition, the Claims Department Quality Assurance team will continue to audit documentation of the claim on an ongoing basis.

**Bureau Response (June 23, 2015)**

**After further review, the violation for CH0024 has been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**The violation for CH0030 remains in the Report. The document in the file was not related to the claim. Placing documents in the wrong claim files is a documentation issue.**

Company Reply: Company will conduct training to all staff claims adjusters regarding documenting claims files sufficiently to reconstruct events and/or dates that are pertinent to the claim. When a document is erroneously placed in the wrong file, the adjusters will be asked to mark the document as immaterial as claims documentation are not permitted to be removed from a file.

**Bureau Response (June 23, 2015)**

**The violation for CH0043 remains in the Report. The Company advised the insured that there was no mold endorsement on the policy, leading the insured to conclude there was no coverage for mold. The statement made by the Company was misleading. The policy covers mold resulting from a covered loss.**

Company Reply: The Company respectfully disagrees with this item. However, the Company will update its 50 State Matrix for Virginia to reflect that mold coverage is provided by the base form and that there is no mold endorsement for use in Virginia.

**Bureau Response (June 23, 2015)**

**The violation CH0045 remains in the Report. A letter intended to be sent in 2013 that was not sent until 2014 speaks for itself with regard to proper documentation.**

Company Reply: The Company has corrected the system issue that caused the failure of some system generated letters to print.

**Bureau Response (June 23, 2015)**

**The violation for CH0059 remains in the Report. The Company was not aware of the improper payment until the file was reviewed by the Bureau. The overpayment was as a result of missing documentation in the claim file.**

Ms. Joyclyn M. Morton, Supervisor  
August 7, 2015  
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Company Reply: Company will conduct further training to all staff claims adjusters regarding documenting claims files sufficiently to reconstruct events and/or dates that are pertinent to the claim. In addition, the Claims Department Quality Assurance team will continue to audit documentation of the claim on an ongoing basis.

**Bureau Response (June 23, 2015)**

**The violation for CH0066 remains in the Report. The Company's file is not documented regarding proof of damages equal to the amount paid. The Company's file is not documented regarding primary versus excess coverage in the Condominium Association Agreement.**

Company Reply: The Company will provide further training to its staff claims adjusters regarding the investigation of condominium claims and the importance of the condominium by-laws and association agreements relative to excess versus primary coverage.

**Bureau Response (June 23, 2015)**

**After further review, the violation for CH0075 has been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**(2) - The violation for CH0023 remains in the Report. The insured's home sustained \$32,000.00 in damages when a tree fell through the sunroom roof. It is not reasonable for the Company to avoid advising the insured of available ALE coverage when a loss of this magnitude was initially reported. The description of loss was more than sufficient to discuss the need for ALE with the insured.**

Company Reply: The Company respectfully disagrees that this loss warranted ALE for the reasons previously provided. Specifically, the policy provided, "If a loss covered under this Section makes that part of the "residence premises" where you reside not fit to live in, we cover...."

The independent adjuster inspected the property and made recommendations based on first-hand knowledge of the damaged property. An engineer also inspected the property and provided, "The structural damage as a result of the tree impact is limited to the south porch and the north end of the west fascia and soffit." The policy does not provide that a threshold amount is required to trigger ALE, and, in some cases small dollar claims can warrant ALE where larger dollar claims do not. The Company made a reasonable determination, based on the investigation and all reports, that the residence premises was fit to live in and that Coverage D was not triggered by this loss.

Notwithstanding the Company's disagreement with this item, it has nonetheless undertaken countrywide initiatives to enhance its processes around informing insureds of available coverages, including Coverage D. The Company has created a Frequently Asked Questions (FAQ) document that speaks to common coverages available to insureds in the event of a loss. Coverage D for Additional Living Expenses is included in this document. Currently, the FAQ is available for adjusters to provide to insureds during the adjustment of the claim. The Company intends to have this document posted on its website and where insureds will have access to review.

In addition, the Company has provided additional training to its adjuster staff regarding informing the insured of all available coverages, including ALE coverage.

In addition, the Company currently has a "Note Template" that requires the adjuster to document coverages, including whether ALE is needed and any necessary coverage discussion with the insured where warranted.

**Bureau Response (June 23, 2015)**

**After further review, the violation for CH0026 is withdrawn from the Report. The violation**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**(4) - The violation of CH0034 remains in the Report. The Company has not accepted coverage for this loss and therefore, the insured, who as a first party claimant under his policy, has a right to be notified of the reasons additional time is needed to investigate the claim and determine coverage.**

Company Reply: The Company has provided the claims adjusting staff with training relative to providing first party claimants with status letters in a timely manner.

**Bureau Response (June 23, 2015)**

**(6) - The violation for CH0025 remains in the Report. The Company was aware of its duty under the policy on 7/9/2013 according to its letter to the Condominium Association. The Arbitration of 8/21/2013 was after the fact.**

Company Reply: The Company will provide further training to its staff claims adjusters regarding the investigation of condominium claims and the importance of the condominium by-laws and association agreements relative coverages owed.

**Bureau Response (June 23, 2015)**

**The violation for CH0048 remains in the Report. The claim number provided in the Company's data sample and shown on the review sheet involves damage to a residential home. This claim did not involve a storage unit. The Company denied coverage for the roof and interior water damage. The denial for the roof was appropriate. The denial for interior water damage was incorrect. The policy would have covered the resulting interior water damage.**

Company Reply: The Company respectfully disagrees with this item. Please find attached (**Exhibit 7**) the list of claims provided by the Department to the Company on April 27, 2014. Please note that the document, entitled "Homesite Claims Sample List" reflects claim number 1362952 for insured Alvin Hill (highlighted in blue). This claim is for contents located in a storage unit. Also attached as **Exhibit 7** are the claims notes, which reflect a discussion with the insured regarding this loss to his storage unit.

**Bureau Response (June 23, 2015)**

**7(a) - The violation for CH0022 remains in the Report. The check was not cashed, letters were returned to the Company and the Company made no attempt to determine if the insured received the check until after the file was examined by the Bureau.**

Company Reply: The Company respectfully disagrees that this item constitutes a violation of 14 VAC 5-400-70D. Nonetheless, the Company will attempt to locate the executor of the estate and reissue the payment. In the event that is unsuccessful, the Company will proceed through the state escheatment process.

**Bureau Response (June 23, 2015)**

**7(b) - The violation for CH0070 remains in the Report. The Company did not determine the cause of loss to the building. If the cause of loss to the building was a covered cause of loss, the resulting damage to personal property would be covered.**

Company Reply: The Company respectfully disagrees that this item constitutes a violation of 14 VAC 5-400-70D. Nonetheless, the Company will attempt further investigation to determine whether the damage to the building was a covered peril for Coverage C.

**Bureau Response (June 23, 2015)**

**7(c) - The violation for CH0022 remains in the Report. The dwelling was a covered cause of loss. As such, there was coverage for debris removal within the dwelling.**

Company Reply: The Company respectfully disagrees that this item constitutes a violation of 14 VAC 5-400-70D. Nonetheless, the Company will issue a supplemental payment under Additional Coverages.

Ms. Joyclyn M. Morton, Supervisor  
August 7, 2015  
Page 12 of 59

**Bureau Response (June 23, 2015)**

**7(d) - After further review, the violation for CH0040 has been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**8(a) - The violation for CH0002 remains in the Report. The son's residency was established at the time of the loss. There is no question that he was living with the insured. Clearly the Company agreed with this as the son's ALE was paid under the policy. The Company is contending that the son was not living in the home at the time of his father's death after the fire. The home was not habitable as a result of the fire and it would therefore not have been possible for the son to live there.**

Company Reply: The Company respectfully disagrees with this item. The Company contends that the son was not part of the named insured's *household* at the time of the named insured's death. The son had independently moved away from the father prior to the father's death. Under the Death provision, the son was not considered an "insured" because he was not a member of the father's household at the time of death.

The only outstanding items at the time of death was for the repaired/cleaned contents to be released and the amount of the move-back to be issued to the vendor. Once the son produced Power of Attorney and was able to take receipt of the contents, payment was issued to the vendor and all issues have been resolved. There are no outstanding payments owed to the named insured, or his estate or representative.

**Bureau Response (June 23, 2015)**

**8(b) - After further review, the violation for CH0028 has been withdrawn from the Report.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

**Bureau Response (June 23, 2015)**

**(9) - The violation for CH0006 remains in the Report. The insured sent a letter to the Company on 3/6/2013 asking why he had not been contacted since the initial report of 2/6/2013.**

Company Reply: It appears that the original adjuster assigned to this claim left the Company during the time frame. The claims was subsequently assigned to another adjuster for handling. The Company currently has a process triggered when an adjuster leaves the Company,

whereby all open claims are reassigned by the team lead. This process should prevent claims from being delayed because an adjuster leaves the Company.

**Bureau Response (June 23, 2015)**

**(10) - The violations for CH0001, CH0003, CH0013, CH00026, and CH0061 remain in the Report. In all instances, the Company made no attempt to investigate and/or identify the at-fault party. The Company has an obligation to investigate claims. Further, the Company prejudiced the insureds by not completing an investigation wherein the insureds could recover their deductibles.**

Company Reply: The Company respectfully disagrees that there is any obligation under either the policy terms or under Virginia Insurance statutes and regulations to investigate or pursue subrogation against a third party.

The policy language provides the following relative to subrogation:

“Subrogation. An “insured” may waive in writing before a loss all rights or recovery against any person. If not waived, we may require an assignment of rights or recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an “insured” must sign and deliver all related papers and cooperate with us.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.”

This policy language does not trigger an obligation to subrogate. It provides that the insurer may require an assignment of rights or recovery.

Similarly, section 38.2-510.A.3 does not require investigation of subrogation potential. The provisions provides,

“No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies”

Further, the term “investigation” is defined as “all activities of an insurer directly or indirectly related to the determination of liability and extent of loss under coverages afforded by an insurance policy or insurance contract” (14 VAC 5-400-20). Thus, investigation is

required to determine the liability of the insurer to the insured, not the liability of the some other unknown party as to the insured. If the insurer accepts the liability for settlement of the claim, it is not required by the definition of "investigation" to continue an investigation into the culpability of other parties for the original loss.

In addition, 14 VAC 5-400-60 was promulgated by the Bureau of Insurance to provide additional clarity and guidance as to the standards for the prompt investigation of claims required by § 38.2-510.A.3. This regulation speaks only to the timeliness of the insurer in accepting liability for the claim and to the insurer's obligation to send timely status letters to a first party claimant. Notably, the regulation does not speak to what type of investigation is required, nor does it impose any obligation for an insurer to investigate subrogation potential.

Thus, there is no *regulatory* obligation for the insurer to spend time and resources to investigate the liability of a third party for damage to the insured's property. There is also no *contractual* duty to subrogate for the potential recovery of the insured's deductible. Rather, there is a *contractual* obligation for the insured to pay the deductible on the policy. For these reasons, the Company requests that these five violations relating to subrogation investigation be removed as there is no regulatory violation.

Notwithstanding the Company's disagreement with this item, it has recognized that it may be a better business practice to pursue subrogation on more claims than it has in the past. To facilitate that business practice, the Company implemented an in-house subrogation and salvage unit in 2014 to more efficiently pursue these opportunities. There have been several initiatives and training sessions in 2015 to optimize subrogation potential on a greater number of claims.

**Bureau Response (June 23, 2015)**

**The violation for CH0011 remains in the Report. The Independent Adjuster advised the Company that the insured's chimney was falling apart possibly due to earthquake, for which there is no coverage. The Company paid the loss without any further investigation. The cause of the loss remains unknown.**

Company Reply: The Company respectfully disagrees with this item. All documentation in the file reflects that the damage was caused by an explosion that caused damage to the chimney. No reference to earthquake is made in the estimate or notes. In addition, the Company notes that there was no Independent Adjuster assigned to this claim, but that a Company field adjuster inspected, adjusted and settled the claim. Claim file notes and estimate have previously been provided and are attached again here, as **Exhibit 8**, in support of the Company's response.

**Bureau Response (June 23, 2015)**

**The violation for CH0023 remains in the Report. The Company was advised by the Independent Adjuster that the claim cost could be reduced through the sale of the salvaged aluminum. The claim file does not mention a business decision by the Company to waive salvage recovery through terminating any additional investigation.**

Company Reply: The Company respectfully disagrees with this item constitutes a violation of 38.2-510.A.3.

Section 38.2-510.A.3 does not require investigation of salvage potential. The provisions provides,

“No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies”

Neither this statute nor 14 VAC 5-400-60 requires the Company to pursue salvage or to specifically document the Company’s reasons for opting whether or not to pursue salvage. Further, there is no contractual obligation under the policy to pursue salvage.

Notwithstanding the Company’s disagreement with this item, it has recognized that it may be a better business practice to pursue salvage on more claims than it has in the past. To facilitate that business practice, the Company implemented an in-house subrogation and salvage unit in 2014 to more efficiently pursue these opportunities. There have been several initiatives and training sessions in 2015 to optimize salvage potential on a greater number of claims.

**Bureau Response (June 23, 2015)**

**The violation for CH0029 remains in the Report. The claim file is lacking any investigation into the ownership of the item, the value of the item, or proof of a theft. This loss was paid without an investigation into any pertinent facts surrounding the alleged theft.**

Company Reply: The Company’s file on item CH0029 reflects a power surge claim rather than theft. Attached is the Review Sheet reflecting CH0029. (**Exhibit 9.**) The Company requests that the Department remove this item, or please clarify such that the Company may provide additional response.



Ms. Joyclyn M. Morton, Supervisor  
August 7, 2015  
Page 16 of 59

**Bureau Response (June 23, 2015)**

**The violation for CH0066 remains in the Report. The Condominium contract impacts the coverage. The Company did not investigate which policy was primary and which policy was excess. The Company paid a claim under the insured's policy without proof that the insured was contractually responsible for the payment of damages. It is not beneficial to the insured for a claim to be paid when there was no evidence that the insured was responsible.**

Company Reply: The Company will provide further training to its staff claims adjusters regarding the investigation of condominium claims and the importance of the condominium by-laws and association agreements relative to excess versus primary coverage.

**Bureau Response (June 23, 2015)**

**The violation for CH0075 remains in the Report. The Company verbally denied coverage without first obtaining the facts of the loss or initiating an investigation. The insured did not respond to subsequent contact as he understood his claim was denied per his conversation with the Company. The question of coverage is not the basis of this violation. This violation arises out of the Company's failure to complete an investigation before verbally denying the claim.**

Company Reply: The Company respectfully disagrees with this violation. The purpose of the investigation is to determine liability of the Company to the insured for the claim. The term "investigation" is defined as "all activities of an insurer directly or indirectly related to the determination of liability and extent of loss under coverages afforded by an insurance policy or insurance contract" (14 VAC 5-400-20). As the Department agrees that the coverage determination was not the basis for the violation, then the investigation must have been sufficient to properly determine coverage.

**Bureau Response (June 23, 2015)**

**(11) - The violation for CH0025 remains in the Report. The Company received this claim on 6/3/2013. The Company did not call the Independent Adjuster to arrange for an inspection of the damage until 6/19/2013. The Company did not obtain the Condominium By-Laws until 6/25/2013. The Company did not confirm liability to the third party until 7/9/2013. The Company was in possession of the By-Laws. The additional delay (above and beyond the above) was as a result of the Company not obtaining information relevant to the resolution of the claim when the By-Laws clearly stated upgrades were not covered.**

Company Reply: The Company will provide further training to its staff claims adjusters regarding the investigation of condominium claims and the importance of the condominium by-laws and association agreements relative to excess versus primary coverage.

**Bureau Response (June 23, 2015)**

**The violation for CH0054 remains in the Report. The loss was reported 10/4/2013. The insured was not provided a copy of an estimate until 11/6/2013. The Company's initial repair estimate was \$4,277.48. On 2/4/2013, the Company finally made the last payment on the claim which totaled \$15,672.82 in damages.**

Company Reply: The Company respectfully disagrees with this item. The first notice of loss was reported on 10/4/2013, the estimate was received by the Company on 10/12/2013, and payment for an undisputed amount was issued on 11/6/2013, which in twenty-three (23) business days from the notice of loss and twenty-five calendar days from the Company's receipt of its IA's estimate.

Section 38.2-510.A.6 provides,

“No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

6. Not attempting in good faith to make prompt, fair and equitable settlements of claims in which liability has become reasonably clear;”

Section 38.2-510.A.6 does not provide a specific time frame for making settlement. Neither does 14 VAC 5-400-70 provide a specific time frame for issuing payment. However, the NAIC model provides for payment of any undisputed amount within 30 days from acceptance of liability.

In this matter, the Company received its Independent Adjuster's estimate on 10/12/2013 and payment for the undisputed amount of that estimate was issued within twenty-five calendar days, which is a prompt time-frame by NAIC standards.

14 VAC 5-400-70(D) provides, “In any case where there is no dispute as to coverage or liability, every insurer must offer to a first party claimant, or to a first party claimant's authorized representative, an amount which is fair and reasonable as shown by the investigation of the claim, provided the amount so offered is within policy limits and in accordance with policy provisions.”

In this matter, the amount as determined by the IA's estimate was issued on 11/6/2014, which was a fair and reasonable amount as reflected by the estimate. There was no reason to delay this payment until further investigation regarding the difference between the IA's estimate

and the insured's estimate could be investigated and resolved. As additional information was received on the scope of the loss, supplemental payments were issued.

**Bureau Response (June 23, 2015)**

**(12) - The violation for CH0017 remains in the Report. The Company's check states: "Cov A \$14,962.95 RCV less \$2,457.06 rd = \$12,505.89 less \$500.00 ded = \$12,005.89." This was a Coverage C (personal property) loss. There was no Coverage A loss.**

Company Reply: This item resulted from a typographical error on the part of the adjuster. The Company will continue to train its adjusting staff on the providing an accurate explanation of all payments.

**Bureau Response (June 23, 2015)**

**(13) - The violation for CH0034 remains in the Report. Medical Payments coverage is accident based coverage, not occurrence. Further, the trigger of coverage in this claim is based on the following policy language "b.- is caused by the activities of the insured." The insured stated that he did not intend to injure the claimant and therefore, the result was unintentional.**

Company Reply: The Company entered into a mutually satisfactory settlement with all parties and has issued payment under a full release.

**Bureau Response (June 23, 2015)**

**(14) - The violation for CH0011 remains in the Report. The Independent Adjuster advised the Company that the insured's chimney was falling apart possibly due to earthquake, for which there is no coverage. The Company paid the loss without any further investigation. The cause of the loss remains unknown.**

Company Reply: The Company respectfully disagrees with this item. All documentation in the file reflects that the damage was caused by an explosion that caused damage to the chimney. No reference to earthquake is made in the estimate or notes. In addition, the Company notes that there was no Independent Adjuster assigned to this claim, but that a Company field adjuster inspected, adjusted and settled the claim. Claim file notes and estimate have previously been provided and are attached again here in support of the Company's response. (See **Exhibit 8.**)

## GENERAL STATUTORY NOTICES

### Bureau Response (June 23, 2015)

**(1) - After further review, the violation for NGS039 has been removed from the Report. The Report has been renumbered to reflect this change.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

### Bureau Response (June 23, 2015)

**(1) - After further review, the violation for NGS041 has been removed from the Report. The Report has been renumbered to reflect this change.**

Company Reply: The Company appreciates the Department withdrawing this from the Report.

## PART II – CORRECTIVE ACTION PLAN

### General

### Bureau Response (June 23, 2015)

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

Company Reply: The Company agrees to make all outstanding restitution payments upon final agreement of all restitution amounts.

### Review of Policy Issuance Process

### Bureau Response (June 23, 2015)

**Provide a copy of the revised telephone script that contains the abbreviated Notice of Information Collection and Disclosure Practices.**

Company Reply: The Company respectfully submits that the notice below is the abbreviated Notice of Information Collection and Disclosure Practices:

*"[Marketing Program Name] is provided and underwritten by Homesite Insurance. Homesite will review your credit report or use a credit-based insurance score for your quote. We may use a third party to calculate the score. Your personal information may*

*be disclosed to third parties without authorization, as required or permitted by law. Details regarding your privacy rights and our privacy policy are available at [homesite.com/privacy](http://homesite.com/privacy). You may access the information we have about you and submit corrections if it's not accurate. You may request that your credit information be updated and if you question the accuracy of the credit information, we will, upon your request, reevaluate you based on corrected credit information from a consumer reporting agency. A detailed written notice of Homesite's practices is available upon request.*

*Is it okay to continue with your quote?"*

### **PART III - RECOMMENDATIONS**

#### **Rating and Underwriting**

##### **Bureau Response (June 23, 2015)**

**Please provide the anticipated date for filing the revision to Rule 406.**

Company Reply: The Company will revise the deductible interpolation example. The Company anticipates filing a revision to Rule 406 by the end of Q4, 2015.

##### **Bureau Response (June 23, 2015)**

**Please confirm that the revision in filing #HMSS-129525825 for rule 301 A1b IV apply to rule 303 A instead of rule 303 B.**

Company Reply: The Company will revise Rule 301.A1b IV so that it applies to Rule 303.A instead of Rule 303.B. The Company anticipates filing a revision by the end of Q4, 2015.

##### **Bureau Response (June 23, 2015)**

**Please confirm that with the revisions in filing HMSS-129525825, the Company no longer intends to include an additional premium charge for Ordinance or Law coverage for Building or Non – building Structure Items in rule 505. Is the Company no longer offering this coverage for loss to Building or Non-building Structure Items due to an Earthquake?**

Company Reply: The Company confirms that with filing number HMSS-129525825 no additional premium charge is included for Ordinance or Law coverage for HO 04 48 Other Structure Items in Rule 505 Earthquake coverage.

Ms. Joyclyn M. Morton, Supervisor  
August 7, 2015  
Page 21 of 59

The Company will continue offering this coverage for loss to Building or Non-building Structure Items due to an Earthquake. The Company acknowledges that additional risk associated with the Ordinance or Law coverage for HO 04 48 is adequately covered by the premium associated with the Ordinance or Law coverage for Rule 505. This is consistent with the approach throughout the rest of the premium, – that is, no additional premium charge is included for the Ordinance or Law coverage for the increase of Coverage B in Rule 514 Other Structures.

**Bureau Response (June 23, 2015)**

**Please provide the anticipated date for filing revisions to rule 590 B2.**

Company Reply: The Company will remove the maximum deductible credit in the renters rates manual in the upcoming filing. The Company anticipates filing this revision by the end of Q4, 2015.

**Bureau Response (June 23, 2015)**

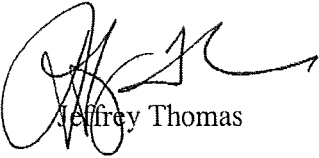
**The Company will continue to be out of compliance until it files specific Windstorm Renters Rates or files a rule that specifies the Owner Windstorm Rates should be applied to Renters policies.**

Company Reply: The Company will revise Rule 590.B in the Renters Rules manual to clarify the Wind premium calculation. The Company anticipates filing this revision by the end of Q4, 2015.

Sincerely,

MITCHELL, WILLIAMS, SELIG,  
GATES & WOODYARD, P.L.L.C.

By

  
Jeffrey Thomas

JHT:ka  
Enclosures

# 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/bo>

September 22, 2015

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

Jeffrey Thomas  
Mitchell, Williams, Selig Gates and Woodyard, PLLC  
425 West Capitol Avenue  
Suite 1800  
Little Rock, AK 72201-3525

Re: Market Conduct Examination  
Homesite Insurance Company (NAIC# 17221)  
Examination Period: January 1, 2013–December 31, 2013

Dear Mr. Thomas:

The Bureau of Insurance (Bureau) has reviewed the August 7, 2015 response to the Preliminary Market Conduct Report of Homesite 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 (Report). This response follows the format of the Report.

## COMPANY PROFILE

Page 2

The Company's profile is directly from the Best's Insurance Report by A. M. Best Company. The Company must contact A. M. Best and provide the proposed language.

## PART ONE – THE EXAMINERS' OBSERVATIONS

Rating and Underwriting Review

### HOMEOWNER NEW BUSINESS POLICIES

- (2a) The remaining violation shown as discount/surcharge violation in the initial Report was not included in the Report sent to the Company on June 23, 2015.
- (2b) The violation for RHO033 remains in the Report and was not reclassified to another section. This violation now appears in the Revised Report as item 2a.

### **Homeowner Renewal Business Policies**

- (2) The undercharge and overcharge amounts for RHO055, RHO061 and RHO063 are not reflected in the Revised Report and have been removed from the Restitution spreadsheet.
- (2b) The Bureau appreciates the Company providing the proposed language for their rule; however, rule filings are handled by our Rates and Forms section and the Company should reach out to that area for guidance. A cursory review reveals some areas that may not be compliant. Rates and Forms has advised the Company they cannot continue to use the same prior insurance and lapse characteristics provided on the application indefinitely. The Company should contact the Bureau's Rates and Forms section for guidance in revising this rule.
- (2c) After further review, the violation for RHO037 has been withdrawn from the Report. The Company provided the requested coordinates, 2007 zip code map, and filed territory pages. The Report has been renumbered to reflect this change.
- (3) It is not clear why the Company was unable to obtain an updated credit score for an insured for whom the Company had previously obtained a score. The Bureau appreciates the Company providing the proposed credit rule. However, the Company cannot continue to use a credit score that is more than three years old. The Company must use the No Hit or No Score credit class and it may file a rate capping rule for such instances. The Company should contact the Bureau's Rates and Forms section for guidance in revising this rule.

### **TERMINATIONS REVIEW**

#### **Homeowner Notices after the 89<sup>th</sup> Day of Coverage**

- (2) These violations remain in the Report. The Company's policy states the notice will be mailed to the address as shown in the Declarations. Section 38.2-2113 A 1 b of the Code of Virginia states the written receipt should show the name and address of the insured stated in the policy.
- (4b) After further review, the violation for THO041 has been withdrawn from the Report.



The violation for THO066 remains in the Report. The Code of Virginia clearly states in § 38.2-2113 the name and address of the insured stated in the policy. As mentioned in #2 above, the address relevant to this policy is the address provided by the insured. The documentation in Exhibit 6 of the Company's response failed to include any documentation in reference to THO066. For reconsideration, specific policy documentation would need to be provided by the Company.

## CLAIMS REVIEW

- (1) Concerning the Company's response to CHO043, the Bureau would like to again clarify that mold is not covered under the policy unless a precipitating covered loss is the cause of the mold. The "base" policy that the Company has referenced excludes mold coverage absent a covered loss.
- (2) The violation for CHO023 remains in the Report. The first notice of loss stated that a tree had fallen through the insured's roof. Under this set of facts, ALE could have been applicable to the loss. As such, the insured should have been informed of the availability of the coverage as well as the conditions upon which ALE would apply should the coverage be needed. At the initial report, with the facts known at that time, the ALE coverage was pertinent to the claim. The issue is not what was later determined by the investigation but the initial loss facts that warranted informing the insured. Informing is not the same as a promise to provide the coverage until such time as an investigation supports the need for the coverage.
- (6) After further review, the violation for CHO048 has been withdrawn from the Report.
- (7a) The Company should advise the Bureau of the address search results related to CHO022.
- (7b) The Company should advise the Bureau of the results of the investigation for file CHO070.
- (8a) The violation for CHO002 remains in the Report. The Company should provide evidence of payment and satisfaction of the conclusion of the claim.
- (10) After further review, the violations for CHO001, CHO003, CHO013, CHO0026, and CHO061 have been withdrawn from the Report.

The violation for CHO011 remains in the Report. The Company's file states "Contractor advised that the chimney is falling apart possibly due to earthquake". This is stated three times in the file. There is no further investigation or discussion concerning this statement. With regard to the estimate, the estimate was written by the contractor and photographed by the

Company adjuster. The Company paid the loss via the contractor's estimate without any further investigation. The cause of the loss remains unknown.

After further review, the violation for CHO023 has been withdrawn from the Report.

After further review, the violation for CHO029 has been withdrawn from the Report.

The violation for CHO075 remains in the Report. The violation arises out of § 38.2-510 A 3 of the Code of Virginia. The Company denied the claim at the first notice of loss absent any investigation. The Company later decided an investigation was warranted but having already convinced the insured that there was no coverage, the insured did not respond to requests for additional information. Clearly the Company questioned its premature denial and attempted to rectify the error. However, no investigation was ever undertaken.

- (11) The violation for CHO054 remains in the Report. The loss was reported 10/4/2013. The living room, kitchen, hallway, bathroom and dining room were covered in water. The original estimate completed by the Company's IA was missing dry wall damage, sanding and refinishing all of the floors, dust containment, gluing down the flooring and removing and resetting all of the furniture and appliances on the first floor of the home. From the time of the initial report to the final payment on this claim, 123 days had passed. It is not possible to conclude that this was a prompt settlement.
- (14) The violation for CHO011 remains in the Report. The Company's file states "Contractor advised that the chimney is falling apart possibly due to earthquake". This is stated three times in the file. There is no further investigation or discussion concerning this statement. With regard to the estimate, the estimate was written by the contractor and photographed by the Company adjuster. The Company paid the loss via the contractor's estimate without any further investigation. The cause of the loss remains unknown.

#### **CORRECTIVE ACTION PLAN**

##### **General**

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

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

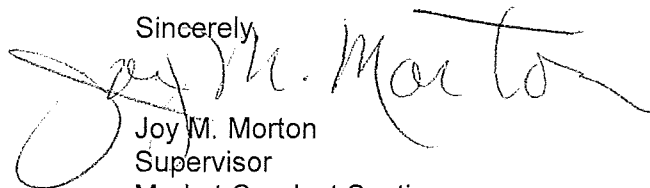
The Company should provide the Notice of Information Collection and Disclosure Practices notice to policyholders with all new policies as required by the Code of Virginia.

### Statutory Notices Review

- (1) The Company provided a copy of its short form verbal script of the Notice of Information Collection and Disclosure Practices in response to the Policy Issuance Review in Part Two of the Report. This notice does not include the information required by § 38.2-604 C of the Code of Virginia. Please note that a majority of the language in the Company's script complies with § 38.2-2126 A for the Credit Score Disclosure Notice, instead of the intended notice.

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, and Restitution spreadsheet. 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)

cc: Jane Garrison

# MITCHELL | WILLIAMS

Jeffrey Thomas  
Direct Dial: 501-688-8879  
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425 West Capitol Avenue, Suite 1800  
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Fax: 501-688-8807

October 15, 2015

Ms. Joycelyn M. Morton, Supervisor  
Commonwealth of Virginia  
Market Conduct Section  
Property & Casualty Division  
1300 East Main Street  
Richmond, VA 23218

CONFIDENTIAL

RE: Market Conduct Examination  
Homesite Insurance Company (NAIC #1722)  
Examination Period: January 1, 2013 – December 31, 2013

Dear Ms. Morton:

Homesite Insurance Company (the "Company") is in receipt of your letter dated September 22, 2015 and the revised examination Report for the period of January 1, 2013 through December 31, 2013. We have read the revised Report and appreciate the opportunity to respond. Please accept the following as the Company's comments and responses.

Note that the Company has not made any further revisions to the Restitution Spreadsheet with this response.

## Homeowners New Business Policies

*(2a) The remaining violation shown as discount/surcharge violation in the initial report was not included in the Report sent to the Company on June 23, 2015.*

**Response: The Company anticipates that the revision to Rules 301 A1 and 2 will be filed with the Bureau by the end of Q4, 2015.**

*(2b) The violation for RHO033 remains in the Report and was not reclassified to another section. This violation now appears in the Revised Report as item 2a.*

**Response: The Company thanks the Bureau for this clarification. The Company anticipates the revision to Rules 301 A1 and 2 will be filed before the end of Q4 2015.**

## Homeowners Renewal Business Policies

*(2) The undercharge and overcharge amounts for RHO055, RHO061, and RHO063 are not reflected in the Revised Report and have been removed from the Restitution spreadsheet.*

**Response: The Company appreciates the Bureau withdrawing these from the Report and Restitution spreadsheet.**

*(2b) The Bureau appreciates the Company providing the proposed language for their rule; however, rule filings are handled by our Rates and Forms section and the Company should reach out to that area for guidance. A cursory review reveals some areas that may not be compliant. Rates and Forms has advised the Company that they cannot continue to use the same prior insurance and lapse characteristics provided on the application indefinitely. The Company should contact the Bureau's Rates and Forms section for guidance in revising this rule.*

**Response: The Company thanks the Bureau for this information and will contact the Rates and Forms division for guidance in revising this rule.**

*(2c) After further review, the violation for RHO037 has been withdrawn from the Report. The Company provided the requested coordinates, 2007 zip code map, and filed territory pages. The Report has been renumbered to reflect this change.*

**Response: The Company appreciates the Bureau withdrawing this from the Report.**

*(3) It is not clear why the Company was unable to obtain an updated credit score for an insured for whom the Company had previously obtained a score. The Bureau appreciates the Company providing the proposed credit rule. However, the Company cannot continue to use a credit score that is more than three years old. The Company must use the No Hit or No Score credit class and it may file a rate capping rule for such instances. The company should contact the Bureau's Rates and Forms section for guidance in revising this rule.*

**Response: The Company will contact the Bureau's Rates and Forms section for guidance in revising its rules.**

### **TERMINATIONS REVIEW**

#### **Homeowner Notices after the 89<sup>th</sup> Day of Coverage**

- 2. These violations remain in the Report. The Company's policy states the notice will be mailed to the address as shown in the Declarations. Section 38.2-2113 A 1 b of the Code of Virginia states the written receipt should show the name and address of the insured stated in the policy.*

**Response:** The Company accepts these violations. Going forward, the Company will send the statutory notice of cancellation to the address stated in the policy.

4b. *After further review, the violation for THO041 has been withdrawn from the Report.*

*The violation for THO066 remains in the Report. The Code of Virginia clearly states in section 38.2-2113 "...the name and address of the insured stated in the policy". As mentioned in #2 above, the address relevant to this policy is the address provided by the insured. The documentation in Exhibit 6 of the Company's response failed to include any documentation in reference to THO066. For reconsideration, specific policy documentation would need to be provided by the Company.*

**Response:** The Company appreciates the Bureau removing the violation for THO041.

The Company accepts the violation associated with THO066. Going forward, the Company will send the statutory notice of cancellation to the address stated in the policy.

#### **CLAIMS REVIEW**

(1) *Concerning the Company's response to CHO043, the Bureau would like to again clarify that mold is not covered under the policy unless a precipitating covered loss is the cause of the mold. The "base policy that the Company has referenced excludes mold coverage absent a covered loss.*

**Response:** The Company thanks the Bureau for this clarification.

(2) *The violation for CHO023 remains in the Report. The first notice of loss stated that a tree had fallen through the insured's roof. Under this set of facts, ALE could've been applicable to the loss. As such, the insured should have been informed of the availability of the coverage as well as the conditions upon which ALE would apply should the coverage be needed. At the initial report, with the facts known at the time, the ALE coverage was pertinent to the claim. The issue is not what was later determined by the investigation but the initial loss facts that warranted informing the insured. Informing is not the same as a promise to provide the coverage until such time as an investigation supports the need for coverage.*

(6) *After further review, the violation for CHO048 has been withdrawn from the Report.*

**Response:** The Company appreciates the Bureau withdrawing this violation from the Report.

(7a) *The Company should advise the Bureau of the address search results related to CHO022.*

**Response:** In order to address this issue, the Company continued contact attempts, however, those attempts were unsuccessful in reaching the Executor of the estate. An address search indicated that the Company does in fact have the correct and current address for the Executor. At this point, it is unclear whether reissuing the check and mailing to the Executor would result in any change. The Company could place a stop-payment on the original check and send the outstanding funds through the state escheatment process if satisfactory to the Bureau.

*(7b) The Company should advise the Bureau of the results of the investigation for file CHO070.*

**Response:** The Company contacted the apartment complex management. A discussion with the management company found that neither of the employees working at the complex worked at the complex at the time the claim was filed. The management company promised to attempt to locate any documentation on the claim, but they have been unable to do so to date. The Company contacted the policyholder and found that, although there was damage to the roof of the building in June, they had no issues with mold until six months later. The apartment complex management provided the policyholder with a dehumidifier to deal with the recurring excess moisture. The policyholder continued to deal with excess moisture causing condensation on the walls and windows until he moved out a few months after the claim. Based on this information, the Company confirmed that the damage was not caused by one of the 16 named perils within the policy.

*(8a) The violation for CHO002 remains in the Report. The Company should provide evidence of payment and satisfaction of the conclusion of the claim.*

**Response:** Attached as Exhibit 1 please find a copy of the check number 557498, which was issued in full satisfaction of this claim.

*(10). After further review, the violations for CHO001, CHO003, CHO013, CHO0026, and CHO061 have been withdrawn from the Report.*

*The violation for CHO011 remains in the Report. The Company's file states: "Contractor advised that the chimney is falling apart possibly due to earthquake." This is stated three times in the file. There is no further investigation or discussion concerning this statement. With regard to the estimate, the estimate was written by the contractor and photographed by the Company adjuster. The Company paid the loss via the contractor's estimate without any further investigation. The cause of the loss remains unknown.*

*After further review, the violation for CHO023 has been withdrawn from the Report.*

*After further review, the violation for CHO029 has been withdrawn from the Report.*

*The violation for CHO075 remains in the Report. The violation arises out of § 38.2-510 A 3 of the Code of Virginia. The Company denied the claim at the first notice of loss absent any investigation. The Company later decided an investigation was warranted but having already convinced the insured that there was no coverage, the insured did not respond to requests for additional information. Clearly the Company questioned its premature denial and attempted to rectify the error. However, no investigation was ever undertaken.*

**Response:** The Company appreciates the Bureau withdrawing the violations for CHO001, CHO003, CHO013, CHO026, CHO061, CHO023 and CHO029 from the Report.

The Company continues to respectfully disagree with the violation cited as CHO011. There is no reference to possible earthquake damage in the claim file notes or in any documentation attached to the claim file. The payment was made based on an expert's bid to repair after the field adjuster inspected and confirmed the cause of loss. The Company previously provided the claim file notes and the documentation associated with the file showing no reference to earthquake damage. The Company respectfully requests the documentation the Examiners may have referencing earthquake damage.

The Company continues to respectfully disagree with the violation cited as CHO075 for the reasons previously outlined.

Notwithstanding the Company's disagreement with this item, it has nonetheless undertaken countrywide initiatives to enhance training and quality assurance related to claim handling, including claims investigations.

*(11) The violation for CHO054 remains in the Report. The loss was reported 10/4/2013. The living room, kitchen, hallway, bathroom and dining room were covered in water. The original estimate completed by the Company's IA was missing dry wall damage, sanding and refinishing all of the floors, dust containment, gluing down the flooring and removing and resetting all of the furniture and appliances on the first floor of the home. From the time of the initial report to the final payment on this claim, 123 days had passed. It is not possible to conclude that this was a prompt settlement.*

**Response:** The Company respectfully continues to disagree with this item for the reasons previously outlined. Notwithstanding the Company's disagreement with this item, it has nonetheless undertaken countrywide initiatives to enhance training and quality assurance related to claim handling, including timely handling of claims and desk adjusters' accurate review of IA estimates.

*(14) The violation for CHO011 remains in the Report. The Company's file states: "Contractor advised that the chimney is falling apart possibly due to earthquake." This is stated three times in the file. There is no further investigation or discussion concerning*



*this statement. With regard to the estimate, the estimate was written by the contractor and photographed by the Company adjuster. The Company paid the loss via the contractor's estimate without any further investigation. The cause of the loss remains unknown.*

**Response:** The Company continues to respectfully disagree with this violation. There is no reference to possible earthquake damage in the claim file notes or in any documentation attached to the claim file. The payment was made based on an expert's bid to repair after the field adjuster inspected and confirmed the cause of loss. The Company previously provided the claim file notes and the documentation associated with the file showing no reference to earthquake damage. The Company respectfully requests the documentation the Examiners may have referencing earthquake damage.

#### Corrective Action Plan

##### General

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

**Response:** The Company agrees to make all outstanding restitution payments upon final agreement of the restitution amounts.

#### Review of Policy Issuance Process

*The Company should provide the Notice of Information Collection and Disclosure Practices notice to policyholders with all new policies as required by the Code of Virginia.*

**Response:** The Company provides a written copy of the Notice of Information Collection and Disclosure Practices Notice to policyholders in the new business policy packet.

##### Statutory Notices Review

- (1) The Company provided a copy of its short form verbal script of the Notice of Information Collection and Disclosure Practices in response to the Policy Issuance Review in Part Two of the Report. This notice does not include the information required by § 38.2-604 C of the Code of Virginia. Please note that a majority of the language in the Company's script complies with § 38.2-2126 A for the Credit Score Disclosure Notice, instead of the intended notice.

**Response:** The Company respectfully proposes the following scripting to comply with the content requirements of § 38.2-604 C of the Code of Virginia for the short form version of the Notice of Information Collection and Disclosure Practices.

*"[Marketing Program Name] is provided and underwritten by Homesite Insurance. Homesite will review your credit report or use a credit-based insurance score for your quote. We may use a third party to calculate the score. Personal information may be collected from persons other than you. The information, as well as other personal or privileged information subsequently collected by us, in certain circumstances, may be disclosed to third parties without authorization as required or permitted by law. Details regarding your privacy rights and our privacy policy are available at [homesite.com/privacy](http://homesite.com/privacy). You may access all personal information we have about you and submit corrections if it's not accurate. You may request that your credit information be updated and if you question the accuracy of the credit information, we will, upon your request, reevaluate you based on corrected credit information from a consumer reporting agency. A detailed written notice of Homesite's practices will be included in your policy packet and is also available upon request".*

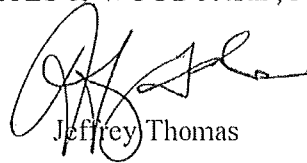
*"Is it okay to continue with your quote?"*

Thank you for your consideration.

Sincerely,

MITCHELL, WILLIAMS, SELIG,  
GATES & WOODYARD, P.L.L.C.

By



Jeffrey Thomas

JHT:ls

# 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/bo>

December 1, 2015

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

Jeffrey Thomas  
Mitchell, Williams, Selig Gates and Woodyard, PLLC  
425 West Capitol Avenue  
Suite 1800  
Little Rock, AK 72201-3525

Re: Market Conduct Examination  
Homesite Insurance Company (NAIC# 17221)  
Examination Period: January 1, 2013–December 31, 2013

Dear Mr. Thomas:

The Bureau of Insurance (Bureau) has reviewed the October 15, 2015 response to the Preliminary Market Conduct Report of Homesite 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 (Report). This response follows the format of the Report.

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

### **Rating and Underwriting Review**

#### **Homeowner Renewal Business Policies**

- (2) The Company advised that they were going to contact Rates and Form. However, the Company failed to address the restitution for RHO045 that still has not been made.

#### **Claims Review**

- (1) The violation for CHO043 remains in the Report. The Company should contact the insured and determine if the insured incurred expenses for mold remediation and provide evidence of this communication.

- (7a) The violation for CHO022 remains in the Report. The Company should provide evidence of payment and the conclusion of the claim.

The violation for CHO061 remains in the Report. The Restitution Spreadsheet has been revised to include the ServPro estimate of \$5,101.43.

- (7d) After further review, the violation for CHO070 has been withdrawn from the Report. The Report has been amended to reflect this change.

- (8) After further review, the violation for CHO002 has been withdrawn from the Report. The Report has been amended to reflect this change.

- (10) The violation for CHO011 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings. The Company can find reference to earthquake on the Notification of Ticket Registration, ticket number 4480.

The violation for CHO075 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings.

- (11) The violation for CHO054 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings.

- (13) The violation for CHO034 remains in the Report. The Company should provide evidence of the Release form and make interest payment to the claimant.

- (14) The violation for CHO011 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings. The Company can find reference to earthquake on the Notification of Ticket Registration, ticket number 4480.

### **Corrective Action Plan**

#### **General**

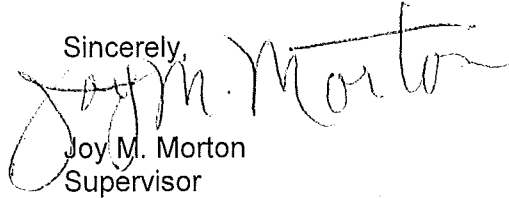
The Company should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

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

The Company should provide the Notice of Information Collection and Disclosure Practices notice to policyholders with all new policies as required by the Code of Virginia.

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, and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by December 21, 2015.

Sincerely,

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

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)

cc: Jane Garrison

# MITCHELL | WILLIAMS

Jeffrey Thomas  
Direct Dial: 501-688-8879  
Fax: 501-918-7879  
E-mail: jthomas@mwlw.com

STATE CORP. COMMISSION  
2015 DEC 21 AM 9:01  
425 West Capitol Avenue, Suite 1800  
Little Rock, Arkansas 72201-3525  
Telephone: 501-688-8800  
Fax: 501-688-8807  
BUREAU OF INSURANCE

December 18, 2015

VIA E-MAIL and FEDERAL EXPRESS  
Joy.Morton@scc.Virginia.gov

**CONFIDENTIAL**

Ms. Joyclyn M. Morton, Supervisor  
Commonwealth of Virginia  
Market Conduct Section  
Property & Casualty Division  
1300 East Main Street  
Richmond, Virginia 23218

Re: Market Conduct Examination  
Homesite Insurance Company (NAIC# 17221)  
Examination Period: January 1, 2013 - December 31, 2013

Dear Ms. Morton:

Homesite Insurance Company (the "Company") is in receipt of your letter dated December 1, 2015 and the revised examination Report for the period of January 1, 2013 through December 31, 2013. We have read the revised Report and appreciate the opportunity to respond. Please accept the following as the Company's comments and responses.

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

### **Rating and Underwriting Review**

#### ***Homeowner Renewal Business Policies***

- (2) **The Company advised that they were going to contact Rates and Form. However, the Company failed to address the restitution for RHO045 that still has not been made.**

Response: The Company respectfully maintains that its filed rule regarding lapse characteristics is not in violation of Virginia law. However, in order to bring this matter to resolution, Homesite has issued payment in the amount of \$456.86 (\$431 plus 6% interest) to the policyholder underlying this citation. A copy of the check is attached as Exhibit No. 1 and the Restitution Spreadsheet has been updated accordingly. Additionally, the Company has contacted the Bureau's Rates and Forms section for guidance and will submit a filing revising this rule by the end of 2015.

*Claims Review*

- (1) **The violation for CH0043 remains in the Report. The Company should contact the insured and determine if the insured incurred expenses for mold remediation and provide evidence of this communication.**

Response: Claims has attempted contact with the insured to determine if he incurred any costs in remediating the mold. If the Company is able to make contact with the insured and it is determined that he incurred any financial loss due to the mold, a claims adjuster will issue payment plus interest. The claim notes are attached as Exhibit No. 2.

- (7a) **The violation for CH0022 remains in the Report. The Company should provide evidence of payment and the conclusion of the claim.**

**The violation for CH0061 remains in the Report. The Restitution Spreadsheet has been revised to include the ServPro estimate of \$5,101.43.**

Response: CHO022 – The Company has made several attempts at contact via telephone. Although the Company maintains that its claim handling was appropriate, payment in the amount of \$1697.84 (\$1601.74 plus 6% interest) will be remitted to the Virginia unclaimed property division in accordance with VA Code § 55-210.2:1, which states that property shall be presumed abandoned if unclaimed within five years. The claim notes detailing the attempted contacts are attached as Exhibit No. 3.

CHO061- Homesite completed its investigation and issued payment in March of 2015. The Company apologizes that it did not previously provide the evidence of the payment. The check and payment letter are attached as Exhibit No. 4.

- (7d) **After further review, the violation for CH0070 has been withdrawn from the Report. The Report has been amended to reflect this change.**

Response: The Company appreciates the Bureau removing this violation.

- (8) **After further review, the violation for CH0002 has been withdrawn from the Report. The Report has been amended to reflect this change.**

Response: The Company appreciates the Bureau removing this violation.

- (10) **The violation for CH0011 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original**

**findings. The Company can find reference to earthquake on the Notification of Ticket Registration, ticket number 4480.**

**The violation for CH0075 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings.**

Response: The Company accepts this violation and will emphasize the importance of promptly and thoroughly investigating claim files through training and Quality Assurance reviews.

- (11) The violation for CH0054 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings.**

Response: The Company accepts this violation and will emphasize the importance of promptly and thoroughly investigating claim files through training and Quality Assurance reviews.

- (13) The violation for CH0034 remains in the Report. The Company should provide evidence of the Release form and make interest payment to the claimant.**

Response: A copy of the Stipulation of Dismissal and the Settlement and Release pertaining to the claim referenced in CHO034 are attached as Exhibit No. 5. The release terms state that it is being given in full satisfaction of the events giving rise to the claim at issue. The insured released the Company from:

. . . any and all claims and demands of whatever nature, actions and causes of action, (including but not limited to any administrative action and/or complaint), damages, punitive damages, costs, loss of service, expenses, attorneys' fees, cost of litigation, humiliation, embarrassment, mental anguish, injury to reputation, money benefits, and compensation on account of or in any way growing out of, personal injuries and other damages having already resulted or to result at any time in the future, whether or not they are in the contemplation of the parties at the present time and whether or not they arise following the execution of this Joint Tortfeasor Release and Settlement of Claims (hereinafter, the "Release"), as the result of and by reason of the incident of June 5, 2013, which event is referenced in the action filed by the Plaintiff in the Circuit Court of Maryland for Anne Arundel County...



Therefore, although not specifically delineated within the release, the interest to which the insured was entitled was encompassed in the \$30,000 settlement paid to the insured.

- (14) **The violation for CH0011 remains in the Report. The Company has not provided any additional information that would cause the Bureau to reconsider its original findings. The Company can find reference to earthquake on the Notification of Ticket Registration, ticket number 4480.**

Response: The Company accepts this violation and will emphasize the importance of promptly and thoroughly investigating claim files to determine the insurance proceeds the insured or claimant is entitled to receive through training and Quality Assurance reviews.

### **Corrective Action Plan**

#### *General*

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

Response: The Company agrees to make all outstanding payments upon final agreement of the restitution amounts.

#### *Review of Policy Issuance Process*

**The Company should provide the Notice of Information Collection and Disclosure Practices notice to policyholders with all new policies as required by the Code of Virginia.**

Response: The revised scripting for telephone applicants is scheduled for release on 1/28/2016.

Thank you for working with us on this exam. Happy Holidays!

Sincerely,

MITCHELL, WILLIAMS, SELIG,  
GATES & WOODYARD, P.L.L.C.

By



Jeffrey Thomas

## Gloria Warriner

---

**From:** Garrison, Jane <jane.garrison@homesite.com>  
**Sent:** Monday, February 01, 2016 10:44 AM  
**To:** Gloria Warriner; Joy Morton  
**Cc:** Garrison, Jane; Rigby, Paul  
**Subject:** Reply to Homesite's response of December 18,2015 - Company Response  
**Attachments:** § 55-210102 Holder of tangible or intangible personal property may voluntarily r.pdf; CHO043 - Certified Letter.pdf; CHO043 - Certified Mail Tracking.pdf

Good Morning Gloria and Joy:

Thank you for your email. The Company's responses to the outstanding issues are as follows:

(1) The Company attempted to reach the insured referenced in CHO043 by Certified Mail. Attached please find a copy of the letter and the tracking information from the USPS.

(7a) and (7c) – The Company will voluntarily report payment to the Virginia Unclaimed Property Division in the amount of \$11,502.84 pursuant to 55-210.10:2. However, there is a mandatory 60 day due diligence period that is applicable to items valued at \$100 or greater. The Company's Finance Department will send the required notification to commence due diligence, and will subsequently report and remit the \$11,502.84 to the Virginia State Treasury. I will provide you with documentation when the report is complete.

(13) – Thank you for providing this update.

Please let me know if I can provide any additional information to assist you with your review.

Thank you!

Jane

Jane Garrison  
Compliance Counsel  
Homesite Group Incorporated  
One Federal Street  
4th Floor  
Boston, MA 02110

(Phone) 617-832-1879

(Fax) 617-832-1485

---

**From:** Gloria Warriner [<mailto:Gloria.Warriner@scc.virginia.gov>]

**Sent:** Tuesday, January 19, 2016 2:15 PM

**To:** Garrison, Jane; Joy Morton

**Subject:** Reply to Homesite's response of December 18,2015

Good afternoon Jane,

We have reviewed the Company's December 18, 2015 response to the Preliminary Market Conduct Report of Homesite Insurance Company. In an attempt to wrap this up without sending another letter, we have the following questions.

- (1) Please provide evidence an attempt was made to contact the insured via certified mail to the claim referenced in CHO043.
- (7a) and (7c) Please confirmed the total payment of \$11,502.84 was submitted to the Department of Treasury, Virginia Unclaimed Property Division to the claim referenced in CHO022.
- (13) The Bureau accepts the Company's response that restitution has been finalized pertaining to the claim referenced in CHO034.

Please do not hesitate to contact us if you have any questions.

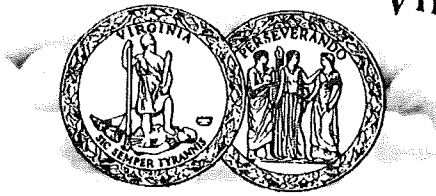
Gloria Warriner  
BOI-SCC  
Market Conduct Section  
804.371.9969

This message (including any attachments) is intended only for the use of the individual or entity to which it is addressed and may contain information that is non-public, proprietary, privileged, confidential, and exempt from disclosure under applicable law or may constitute as attorney work product. If you are not the intended recipient, you are hereby notified that any use, dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, notify us immediately by telephone and (i) destroy this message if a facsimile or (ii) delete this message immediately if this is an electronic communication.

Thank you.

# 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)

March 4, 2016

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

Jane Garrison  
Senior Compliance Specialist  
Homesite Insurance Company  
One Federal Street - 4th Floor  
Boston, MA 02110

RE: Homesite Insurance Company (NAIC # 17221)  
Market Conduct Examination  
Examination Period: January 1, 2013 – December 31, 2013

Dear Ms. Garrison:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of February 1, 2016. Based upon the Bureau's review of the company's responses, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Homesite 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:

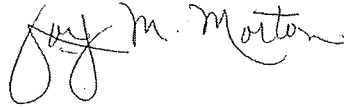
Sections 38.2-305 A, 38.2-502, 38.2-510 A 1, 38.2-604 A 1, 38.2-604 C, 38.2-610 A 38.2-1822, 38.2-1833, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2125, 38.2-2126 A, and 38.2-2126 B, of the Code of Virginia; and 14 VAC 5-400-30 and 14 VAC 5-400-70 D, of the Virginia Administrative 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.

Ms. Garrison  
March 4, 2016  
Page 2

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

Sincerely,

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

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)

March 31, 2016

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

STATE CORP COMMISSION  
BUREAU OF INSURANCE

16 APR -1 AM 8:34

RE: Homesite Insurance Company (NAIC #17221)  
Market Conduct Examination  
Examination Period: January 1, 2013 – December 31, 2013

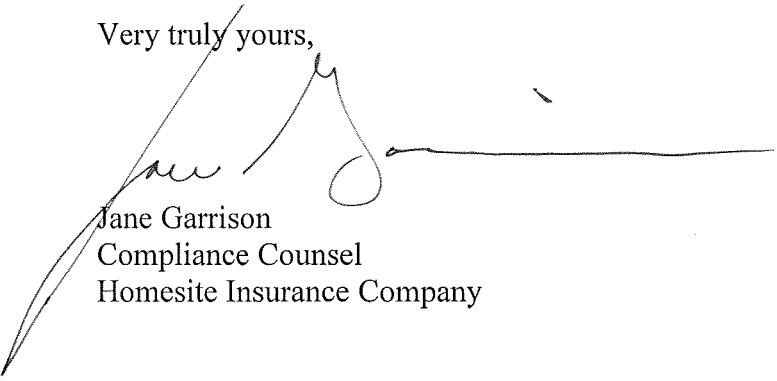
23127

Dear Ms. Nichols:

Thank you for your letter dated March 10, 2016, and the final examination report for Homesite Insurance Company. Enclosed please find a signed copy of the settlement offer, as well as a check made payable to the Treasurer of Virginia in the amount of \$31,800.00.

We would like to thank the Bureau for the diligence and professionalism exhibited by those involved with this exam.

Very truly yours,



Jane Garrison  
Compliance Counsel  
Homesite Insurance Company

Enclosures

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

03/11/17

RE: Market Conduct Examination Settlement Offer  
Homesite Insurance Company

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated March 10, 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 §§ 38.2-305 A, 38.2-502, 38.2-510 A 1, 38.2-604 A 1, 38.2-604 C, 38.2-610 A, 38.2-1822, 38.2-1833, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2125, 38.2-2126 A, and 38.2-2126 B, of the Code of Virginia; and 14 VAC 5-400-30 and 14 VAC 5-400-70 D, of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$31,800.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of August 7, 2015 and December 18, 2015.
3. We confirm that restitution was made to 17 consumers for \$63,186.28 in accordance with the company's letters of April 7, 2015, August 7, 2015 and December 18, 2015.
4. 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,

Homesite Insurance Company

Andrew A. McElwee, Jr.  
(Signed)

Andrew A. McElwee, Jr.  
(Type or Print Name)

Chief Operating Officer  
(Title)

3/31/2016  
(Date)

Enclosure



# 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)

Homesite Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$31,800.00 by its check numbered 107666 and dated March 30, 2016, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 11, 2016

SCC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2016 APR 11 A 10:36

COMMONWEALTH OF VIRGINIA, *ex rel.*  
STATE CORPORATION COMMISSION

v.

CASE NO. INS-2016-00059

HOMESITE INSURANCE COMPANY,  
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Homesite Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated § 38.2-305 A of the Code of Virginia ("Code") by failing to provide the information required by the statute in the insurance policy; violated § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of insurance policies; violated §§ 38.2-604 A (1), 38.2-604 C, 38.2-610 A, 38.2-2125, and 38.2-2126 A of the Code by failing to accurately provide the required notices to insureds; violated § 38.2-1822 of the Code by permitting persons to act as agents without first obtaining a license; violated § 38.2-1833 of the Code by accepting insurance applications from agents who have not been appointed; violated § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; violated §§ 38.2-2113 A, 38.2-2113 C, 38.2-2114 A, and 38.2-2114 C of the Code by failing to properly terminate insurance policies; violated § 38.2-2126 B of the Code by failing to obtain updated credit information; and violated § 38.2-510 A (1) of the Code as well as 14 VAC 5-400-30 and 14 VAC 5-400-70 D of the Commission's Rules Governing

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Unfair Claim Settlement Practices, 14 VAC 5-400-10 *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 the Commonwealth the sum of Thirty-one Thousand Eight Hundred Dollars (\$31,800), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letters to the Bureau dated August 7, 2015, and December 18, 2015, and confirmed that restitution was made to 17 consumers in the amount of Sixty-three Thousand One Hundred Eighty-six Dollars and Twenty-eight Cents (\$63,186.28).

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) 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:  
Andrew A. McElwee, Jr., Chief Operating Officer, Homesite Insurance Company, One Federal  
Street – 4<sup>th</sup> Floor, Boston, Massachusetts 02110; 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.