

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

American Independent Insurance Company
Authority # 17957-19-531

1400 Union Meeting Road, Suite 250
Blue Bell, PA 19422

As of

April 30, 2019

Trinidad Navarro
Commissioner



Delaware Department of Insurance

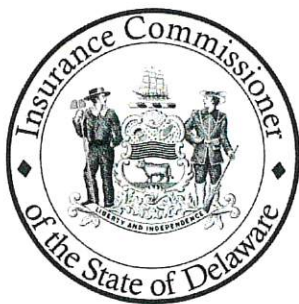
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of April 30, 2019 on

American Independent Insurance Company

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to be "Trinidad Navarro", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 11 day of June, 2020.

A handwritten signature in blue ink, appearing to be "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

American Independent Insurance Company

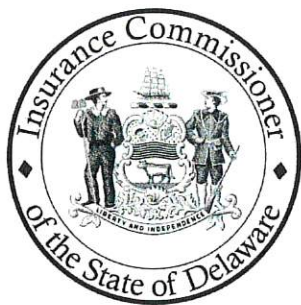
AS OF

April 30, 2019

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 11 day of June, 2020.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers 17957-19-531 and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

American Independent Insurance Company – NAIC #17957

The examination was performed as of April 30, 2019.

The examination consisted of an off-site phase, performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

American Independent Insurance Company is hereinafter referred to as AAICO or the Company, was incorporated in Pennsylvania on June 22, 1971 and commenced business on January 3, 1972. The Company is domiciled in Pennsylvania and licensed to write personal auto insurance in Delaware, Georgia, Illinois and Pennsylvania. It is one of seven underwriting companies that are wholly owned subsidiaries of American Independent Companies, Inc., DBA Good2Go Auto Insurance (AICI). The Company began writing personal auto insurance in Delaware on October 15, 1999. Nonstandard personal auto insurance policies are sold through independent agents and through their direct agency, Good2Go Insurance, Inc.

The examination was a targeted review of the Company's personal automobile book of business in the following areas of operation: Company Operations and Management, Advertising, Marketing and Sales, Complaint Handling, Underwriting and Rating, and Claims. The examination period was January 1, 2017 through April 30, 2019.

The following exceptions were noted during the review of Complaint Handling, Underwriting and Rating, and Claims. An Observation is also made.

4 Exceptions

18 Del. C. § 2304(17), Failure to maintain complaint handling procedures.

(17) Failure to maintain complaint handling procedures.-Failure of any person to maintain a complete record of all the complaints which it has received since the date of its last examination as otherwise required in this title. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this subsection, "complaint" shall mean any written communication primarily expressing a grievance.

The Company complaint log does not accurately reflect the nature of the complaint and/or the disposition of the complaint or receipt of the complaint.

34 Exceptions

18 Del. C. § 3904 Cancellation or non-renewal of automobile policy – Reasons for cancellation or nonrenewal.

(a) No notice of cancellation of a policy shall be effective and the insurer shall not refuse to renew or threaten to refuse renewal of a policy unless based on 1 or more of the following reasons:

- (1) Nonpayment of premium; or*
- (2) The policy was obtained through a material misrepresentation; or*
- (3) Any insured violated any of the terms and conditions of the policy;*
or
- (4) The named insured knowingly failed to disclose fully his or her motor vehicle accidents and moving traffic violations, or his or her losses covered under any automobile physical damage or comprehensive*

coverage, for the preceding 36 months, if called for in the application; or
(5) As to renewal of the policy, if the insured at any time while the policy was in force failed to disclose fully to the insurer, upon request therefor, facts relative to accidents and losses incurred material to underwriting of the risk; or

(6) Any insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of such a claim; or

(7) The named insured or any other operator who either resides in the same household or customarily operates an automobile insured under such policy:

a. Has, within the 36 months prior to the notice of cancellation of nonrenewal, had a driver's license under suspension or revocation, except a child whose license has been revoked or suspended pursuant to §1009 of Title 10, or whose license had been revoked or suspended pursuant to § 904 of Title 4, or had a driver's license under suspension or revocation for a nondriving-related drug offense pursuant to § 2707(b)(1) or § 4177K [repealed] of Title 21; or

b. Has a history of and is subject to epilepsy or heart attacks, and such individual cannot produce a certificate from a physician testifying to his or her unqualified ability to operate a motor vehicle safely; or

c. Has an accident record, conviction record (criminal or traffic), physical, mental or other condition which is such that his or her operation of an automobile might endanger the public safety; or

d. Has, while the policy is in force, engaged in a competitive speed contest while operating an automobile insured under the policy; or

e. Is addicted to or uses narcotics or other drugs; or

f. Uses alcoholic beverages to excess thereby impairing his or her ability to operate a motor vehicle; or

g. Has been convicted, or forfeited bail, during the 36 months immediately preceding the notice of cancellation or nonrenewal, for:

1. Any felony; or

2. Criminal negligence resulting in death, homicide or assault arising out of the operation of a motor vehicle; or

3. Operating a motor vehicle while in an intoxicated condition or while under the influence of drugs; or

4. Leaving the scene of an accident without stopping to report; or

5. Theft or unlawful taking of a motor vehicle; or

6. Making false statements in an application for a driver's license; or

h. Has been convicted of, or forfeited bail, for 3 or more violations, the point total for which exceeds 8 points, or 3 at fault accidents in which claims are paid in excess of \$250 per accident within the 36 months immediately preceding the notice of cancellation or nonrenewal, of any law, ordinance or regulation limiting the speed of motor vehicles or any of the provisions of the motor vehicle laws of any state, violation of which constitutes a dangerous moving violation as set forth in Chapter 41 of Title 21, whether or not the violations were repetitions of the same offense or different offenses; or

- (8) *The insured automobile is:*
- a. *So mechanically defective that its operation might endanger public safety; or*
 - b. *Used in carrying passengers for hire or compensation, except that the use of an automobile for a car pool shall not be considered use of an automobile for hire or compensation; or*
 - c. *Used in the business of transportation of flammables or explosives; or*
 - d. *An authorized emergency vehicle; or*
 - e. *Modified or changed in condition during the policy period so as to increase the risk substantially; or*
 - f. *Subject to an inspection law and has not been inspected or, if inspected fails to qualify.*
- (b)(1) *Insureds protected by a policy covering 2 or more persons in a family or household shall not be subject to cancellation or nonrenewal because of the wrongdoing or fault of another insured under the policy;*
- (2) *In the event 1 or more of the insureds under such policy is subject to cancellation or nonrenewal, such insured shall be excluded pursuant to the terms of § 3909 of this Title;*
- (3) *The excluded driver or drivers shall be required to furnish proof that the coverage required under Delaware law is carried with another company or through the Delaware Automobile Insurance Plan, or surrender his or her motor vehicle operator's license within 30 days.*
- (c) *A policy may not be subject to cancellation or nonrenewal solely because the insured's driver license is denied or suspended in accordance with § 516(g) or § 2216 of Title 13.*

The Company did not use allowable reasons for 20 cancellations and 14 non-renewals.

1 Exception

18 Del. C. § 2712(a) Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The Company did not file form A-100.1 (02/16) Adverse Underwriting Decision Notice with the Department.

7 Exceptions

18 Del. Admin. C. § 903 4.0 Prompt Payment.

4.0 Prompt Payment

For the purpose of this regulation prompt payment is defined as remittance of the

check within 30 days from: the date of agreement, memorialized in writing; final order by the court; or un-appealed arbitration award.

The Company failed to pay seven (7) claims within 30 days from the date of agreement.

155 Exceptions

18 Del. Admin. C. § 902-1.2.1.5 Prohibited Unfair Claim Settlement Practices.

1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer

The Company sends the first notice of the delay within 30 days after proof of loss, but subsequent delay letters are sent after 45 days, not 30 days.

23 Exceptions

18 Del. C. § 2304(16)f. Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices – No persons shall commit or perform with such frequency as to indicate a general business any of the following:

f. Not attempting in good faith to effectuate prompt, fair, and equitable settlement of claims to which liability has become reasonably clear.

And

Delaware Department of Insurance Bulletin No. 24, includes the following paragraph:

Any insurer's invocation of it's insured's obligation to cooperate as the basis for denying mandatory minimum coverage shall be deemed an unfair claim settlement practice in violation of 18 Del. C. §2304(16)f.

The Company uses a Reservation of Rights letter that violates the above stipulation as the insured's lack of cooperation is included as a possible basis for denying coverage for the sampled claim.

Observation

Lack of internal audits performed on Delaware operations

The lack of any internal audits, including any internal claims audits, performed during the exam period of January 1, 2017 through April 30, 2019 is a concern. This issue was also mentioned in the last Delaware MCE report on examination.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318 - 322 and covered the experience period of January 1, 2017 through April 30, 2019. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was a targeted market conduct examination of the American Independent Insurance Company's personal automobile business in the following areas of operation: Company Operations, Advertising, Complaint Handling, Underwriting and Rating, and Claims Handling.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiner's report on the errors found in individual files, the examination also focuses on general business practices of the American Independent Insurance Company.

The Company identified the universe of files for each segment of the review. Based on the universe sizes, random sampling was utilized to select the files reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables company management to review these areas of concern in order to determine the potential impact upon company operations or future compliance. Throughout the course of the examination, company officials were provided status memoranda, which referenced specific policy and/or claim numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. Written summaries were provided to the Company on the exceptions found. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

AIICO was incorporated in Pennsylvania on June 22, 1971 and commenced business on January 3, 1972. The Company is domiciled in Pennsylvania and licensed to write personal auto insurance in Delaware, Georgia, Illinois and Pennsylvania.

On September 20, 1978, AIICO was admitted to Delaware for health insurance. On September 30, 1999, AIICO's certificate of authority was amended from health insurance to include vehicle insurance. On June 5, 2017, the certificate of authority was amended for the statutory address change. American Independent Insurance Company began writing personal auto insurance in Delaware on October 15, 1999.

On January 11, 2017, the Company filed an Article of Amendment with the Pennsylvania Department of State amending the name of the Company to "American Independent Insurance Company, A Good2Go Auto Insurance Company". The name change was subsequently filed with the Delaware Secretary of State on June 24, 2019.

AIICO is one of seven underwriting companies that are wholly owned subsidiaries of American Independent Companies, Inc., DBA Good2Go Auto Insurance (AICI). Together, the seven underwriting companies are referred to as American Independent Insurance Group. The remaining six underwriting companies which comprise the American Independent Insurance Group include Bankers Independent Insurance Company, a Good2go Auto Insurance Company, Personal Service Insurance Company, a Good2go Auto Insurance Company, Apollo Casualty Company, Delphi Casualty Company, Omni Indemnity Company, and Omni Insurance Company. AICI is a subsidiary of Independent Insurance Investments, Inc., a Delaware corporation.

Nonstandard personal auto insurance policies are sold through independent agents and through their direct agency, Good2Go Insurance, Inc. AIICO's Private Passenger Automobile direct written premium in Delaware for 2017 was \$12,476,484 and their 2018 direct written premium in Delaware was \$7,882,175.

COMPANY OPERATIONS AND MANAGEMENT

The Company was asked to provide:

A written overview of their operations including management structure, type of carrier, states where they are licensed and the major lines of business they write.

A description of all fines, penalties and recommendations from any state for the last five (5) years. Have available copies of all Financial and Market Conduct Examination reports conducted during the last five (5) years.

Copies of the annual statements for the prior three years and any property and

casualty related schedules or statements.

A list of all internal audits conducted within the last three (3) years. Internal audits include those audits completed by an internal audit function within the company or conducted via a contracted vendor on behalf of the company.

A list of any third-party entities under contract to perform services related to Complaint/Grievance Handling, Policyholder Service, Provider Relations, Underwriting and Rating, or Claims.

Board of Director agendas, minutes and attachments for all meetings held during the examination period.

Responses were provided and reviewed. The examiners noted one concern, pertaining to the Company's response to their request for internal audits. The Company replied that they have "not completed any internal audits during the exam period."

The lack of internal audits is noted as a Concern, it should be noted that this was a Concern in the prior Delaware MCE report (as of December 31, 2012).

ADVERTISING, MARKETING AND SALES

The Company was requested to provide a copy of all marketing and sales materials distributed or available for distribution, during the examination period. They provided four marketing and sales materials, which consisted of 4 producer bulletins. Upon further inquiry by the examiners, they provided an additional 30 marketing and sales materials, which consisted of television advertisements and email templates. All 34 marketing materials and their websites were reviewed for compliance with the Delaware Statutes and Regulations, Delaware Department of Insurance Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 and 17.

No exceptions were noted.

COMPLAINT HANDLING

The Company was requested to provide a listing of all complaints filed with them during the examination period of January 1, 2017 through April 30, 2019. The list was to include complaints received from the Delaware Department of Insurance as well as complaints made directly to the Company on behalf of Delaware consumers. They provided a spreadsheet that had 67 total entries, encompassing 48 Complaints, and also provided their Complaint Handling guidelines.

The spreadsheet provided omitted the classification by line of insurance and the time it

took to process each complaint. Upon inquiry, we learned that the American Independent Insurance Company uses an access database to enter and maintain the Complaint Log, and a specific log was created for this exam. The line of insurance was removed in error and the number of days was not provided as it is a separate query that should have been run and then added into the log for this exam.

The Company's Compliance Department is responsible for logging and tracking complaints they receive, either verbal or written. However, not all complaints pertaining to the Company are sent to or forwarded to the Compliance Department. Consumers contact the entities affiliated with the Company that are not insurance companies (i.e. Good2Go). The complaints received by the affiliated entities are not always forwarded to the Compliance Department, and therefore they are not included in their log. As such, although the complaint may be addressed by these other parties, the complaint log maintained by the Compliance Department will be incomplete.

The Company uses Value Group Direct (VGD) and RPM, a digital partner utilized by VGD, to daily monitor and submit social media (i.e. Facebook, LinkedIn) complaints directed against the American Independent Insurance Company and its affiliated entities like Good2Go.

The complaint files were reviewed for compliance with the Delaware statutes and regulations including, but not limited to 18 *Del. C.* §2304(17), Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapter 16. Complaint files involving claims were reviewed for compliance with 18 *Del. C.* § 2304(26) and 18 *Del. Admin. C.* 902 §1.2.1.2.

The following exceptions were noted:

4 Exceptions: 18 *Del. C.* § 2304(17) Failure to maintain complaint handling procedures

The Company complaint log does not accurately reflect the nature of the complaint and/or the disposition of the complaint or receipt of the complaint.

Recommendation: It is recommended that the Company enhance their Complaint Log entries to better reflect the nature of the complaint and/or the disposition of the complaint or receipt of the complaint to better comply with 18 *Del. C.* § 2304(17).

UNDERWRITING AND RATING

The examination of Underwriting and Rating was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Company provided a copy of its Private Passenger

Automobile Underwriting and Rating Manuals, along with notices issued to insureds that pertain to credit information, deductibles, and disclosures used for the examination period.

New Business Policies

The examiners were provided a total universe of 11,010 Private Passenger Automobile policies written as new business. A random sampling of 116 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with its filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 25 randomly selected Private Passenger policies to be tested for rating accuracy.

The Company agreed that should there be any inconsistencies noted, additional policies would be request for testing. The examiners were able to test and verify the rating of the policies in accordance with the Company's filed and approved rates.

No exceptions were noted during our review.

Renewal Policies

The examiners were provided a total universe of 9,587 Private Passenger Automobile renewal policies. A random sampling of 116 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with its filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 25 randomly selected Private Passenger policies to be tested for rating accuracy.

The Company agreed that should there be any inconsistencies noted, additional policies would be request for testing. The examiners were able to test and verify the rating of the policies in accordance with the Company's filed and approved rates.

No exceptions were noted during our review.

Terminated Policies

The examiners were provided a total universe of 180 Private Passenger Automobile policies terminated at the request of the Company during the examination period.

A random sample of 79 terminated policies was selected according to the NAIC Market Regulation Handbook guidelines (39 cancellations, 40 non-renewals). Random sampling was used through ACL programming. Examination of the terminated files was performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook—Chapters 16 & 17.

The Examiners noted that all 79 files were either cancelled or non-renewed. The examiners asked about the lack of declinations and were told that “The Company has maintained the rule of prior underwriting approval basis on policies with more than four vehicles and a new business policy for a high ratio of vehicle to driver assignments. In 2018, the Company began to relax the new business driver/vehicle ratio but maintains that all policies with more than four vehicles must receive prior approval.”

During the review the Examiners noted the 34 exceptions (20 cancellations, 14 non-renewals). Based on the Company's statement above, many of these had received prior underwriting approval, and appear to have been terminated for reasons known at the time of acceptance.

34 Exceptions: 18 *Del. C.* § 3904 Cancellation or nonrenewal of automobile policy - Reasons for cancellation or nonrenewal.

The Company did not use allowable reasons for 20 cancellations and 14 non-renewals.

Recommendation: It is recommended that the Company provide additional training to ensure Termination reasons are in compliance with 18 *Del. C.* § 3904.

Forms & Endorsements

The examiners were provided with a list of 20 forms and endorsements and a copy of each by the Company. The examiners selected nine forms and endorsements and their Delaware Department of Insurance approvals were requested.

The following exception was noted.

1 Exception: 18 *Del. C.* § 2712(a) Filing, approval of forms.

The Company did not file with the Delaware Department of Insurance form A-100.1 (02/16) - Adverse Underwriting Decision Notice.

Recommendation: It is recommended that the Company file A-100.1 (02/16) in order to

be in compliance with 18 *Del. C.* § 2712(a).

CLAIMS HANDLING

The examination of claims was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Company provided the requested documents and access to their claims system. This allowed the examiners direct access to the claims files and their procedures and reference materials related to the handling of claims used for the examination period.

Paid Claims

The Company was requested to provide a listing of all Paid Private Passenger Automobile claims during the examination period of January 1, 2017 through April 30, 2019. The Company provided a universe of 3,960 claims paid during the examination period. Of the 3,960 paid claims, a random sampling of 108 policies was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. All 108 claims were reviewed for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Chapters 16 & 17.

The following exceptions were noted.

7 Exceptions: 18 *Del. Admin. C.* § 903 4.0 Prompt Payment.

The Company failed to pay the claim within 30 days from the date of agreement.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 903 4.0 Prompt Payment.

52 Exceptions: 18 *Del. Admin. C.* § 902-1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 *Del. C.* § 2304(16)b. Unfair methods of competition and unfair or deceptive acts or practices defined.

The Company sent the first claim status delay letter within 30 days; however, subsequent delay letters are sent after 45 days, not 30 days.

Recommendation: It is recommended that the Company revise their process to comply with 18 *Del. Admin. C.* § 902-1.2.1.5 so it is no longer in violation of 18 *Del. C.* § 2304(16)b.

12 Exceptions: 18 *Del. C.* § 2304(16)f. Unfair Claim Settlement Practices via Delaware Department of Insurance Bulletin No. 24.

The Company used a Reservation of Rights letter that violates Bulletin No. 24 and

therefore **18 Del. C. § 2304(16)f** as the insured's lack of cooperation is included as a basis for denying coverage for the sampled claims. These 12 exceptions generated 15 such letters.

Recommendation: It is recommended that the Company revise its Reservation of Rights letter to comply with Delaware Department of Insurance Bulletin No 24 and 18 *Del. C. § 2304(16)f*.

Closed Without Payment Claims

The Company was requested to provide a listing of all Closed Without Payment claim files during the examination period of January 1, 2017 through April 30, 2019. A universe of 2,400 files was provided to the Examiners. A random sample of 109 files was requested and provided to the Examiners for review. During the review the Examiners noted that 3 files provided by the Company were actually paid claims so 3 additional files were selected making the total files reviewed at 112. The Examiners reviewed all 112 files for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Chapters 16 & 17.

The following exceptions were noted.

65 Exceptions: 18 Del. Admin. C. § 902-1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 Del. C. § 2304(16)b. Unfair methods of competition and unfair or deceptive acts or practices defined.

The Company sent the first claim status delay letter within 30 days; however, subsequent delay letters are sent after 45 days, not 30 days.

Recommendation: It is recommended that the Company revise their process to comply with 18 *Del. Admin. C. § 902-1.2.1.5* and 18 *Del. C. § 2304(16)b*.

8 Exceptions: 18 Del. C. § 2304(16)f. Unfair Claim Settlement Practices via Delaware Department of Insurance Bulletin No. 24.

The Company used a Reservation of Rights letter that violates Bulletin No. 24 and therefore **18 Del. C. § 2304(16)f** as the insured's lack of cooperation is included as a basis for denying coverage for the sampled claims.

Recommendation: It is recommended that the Company revise its Reservation of Rights letter to comply with Delaware Department of Insurance Bulletin No 24 and 18 *Del. C. § 2304(16)f*.

Denied Claims

The Company was requested to provide a listing of all Denied claim files during the examination period of January 1, 2017 through April 30, 2019. A universe of 72 files was provided to the Examiners. The Examiners reviewed all 72 files for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market

Regulation Handbook Standards in Chapters 16 & 17.

The following exceptions were noted.

38 Exceptions: 18 Del. Admin. C. § 902-1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 Del. C. § 2304 (16)b. Unfair methods of competition and unfair or deceptive acts or practices defined.

The Company sent the first claim status delay letter within 30 days; however, subsequent delay letters are sent after 45 days, not 30 days.

Recommendation: It is recommended that the Company revise its process to comply with 18 Del. Admin. C. §902-1.2.1.5 and 18 Del. C. § 2304(16)b.

3 Exceptions: 18 Del. C. § 2304(16)f. Unfair Claim Settlement Practices via Delaware Department of Insurance Bulletin No. 24.

The Company used a Reservation of Rights letter that violates Bulletin No. 24 and therefore **18 Del. C. § 2304(16)f** as the insured's lack of cooperation is included as a basis for denying coverage for the sampled claims. *Recommendation:* It is recommended that the Company revise its Reservation of Rights letter to comply with Delaware Department of Insurance Bulletin No 24 and 18 Del. C. § 2304(16)f.

Observation

The Company was asked to provide copies of all Delaware internal claims audit reports. The Company replied that they have “not completed any internal audits during the exam period.” This lack of internal claims audits performed during the exam period of January 1, 2017 through April 30, 2019 is a concern particularly because this issue was mentioned in the previous Market Conduct Examination Report.

Recommendation: It is recommended that the Company establish an Internal Audit program for their Delaware operations.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions and Observation noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company enhance its Complaint Log entries to better reflect the nature of the complaint and/or the disposition of the complaint or receipt of the complaint to better comply with 18 *Del. C.* § 2304(17). (Complaint Handling)
2. It is recommended that the Company provide additional training to ensure Termination reasons are in compliance with 18 *Del. C.* § 3904. (Underwriting and Rating)
3. It is recommended that the Company file A-100.1 (02/16) in order to be in compliance with 18 *Del. C.* § 2712(a). (Underwriting and Rating)
4. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 903 4.0 (Claims Handling)
5. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.5 and 18 *Del. C.* § 2304 (16)b. (Claims Handling)
6. It is recommended that the Company revise its Reservation of Rights letter to comply with Delaware Department of Insurance Bulletin No 24 and 18 *Del. C.* § 2304 (16)f. (Claims Handling)
7. It is recommended that the Company establish an Internal Audit program for its Delaware operations. (Claims Handling)

The examination conducted by Joe Krug, Mark Plesha, Jim Myers, Christina Hughart and Stephen Misenheimer is respectfully submitted.



Mark Plesha, CPCU, AIE, MCM,
CWCP, AIS, IR
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Mark Plesha, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 17957-19-531.



Mark Plesha, CPCU, AIE, MCM, CWCP, AIS, IR