

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

ROOT INSURANCE COMPANY
AUTHORITY # 10974-20-702

80 E. Rich Street, Suite 500
Columbus, OH 43215

As of

December 31, 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 December 31, 2019 on

ROOT INSURANCE COMPANY

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

Attest By:

Robert A. Davel



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 17 day of December, 2020.

Trinidad Navarro

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
ROOT INSURANCE COMPANY
AS OF
December 31, 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 17 day of December, 2020.


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 10974-20-702 and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

Root Insurance Company – NAIC #10974

The examination was performed as of December 31, 2019.

The examination was conducted off-site, 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

Root Insurance Company (“the Company”) is an Ohio domiciled direct-to-consumer personal lines property and casualty insurance company, which is a wholly owned subsidiary of Root, Inc. (“RHC”).

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, Marketing and Sales, Consumer Complaints, Underwriting and Rating, and Claims Handling. The examination period was January 1, 2018 through December 31, 2019.

The following exceptions were noted during the review of Consumer Complaints, Underwriting and Rating, and Claims Handling.

3 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 had one complaint that was not listed in the log and listed two complaints that were combined with other complaints. The Company did not include the time involved in order to resolve the two complaints.

1 Exception

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: Eight reasons (not listed here) with sub-sections then follow.

The Company did not use an allowable reason for non-renewing one policy.

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 for approval from the Delaware Department of Insurance for its Declaration pages.

1 Exception

18 Del. C. § 603-11.0 - Delaware Form A “Coverage Election”.

11.1 The coverage election form (Delaware Form A), attachment to Regulation 603 (Formerly Regulation No. 9), shall be properly presented by the insurer, broker, or agent to the policyholder, and acknowledged by the policyholder's signature. Proper presentation by the insurer, where possible, should be in person at the time application is made. If personal presentation is not possible, or if there is further need for clarification, insurers may present Form A by mail. The language or context of Form A shall be as shown unless, in accordance with filings made with this office, the insurer offers options, deductibles, etc., other than those described on the approved form. Any amended Form A shall clearly describe all additional options of coverage and must be filed with this Department prior to use. Any version of the coverage election form which deviates from Delaware Form A must be filed with the Department prior to its use except that companies may overprint the form with company name, address and logo without filing it with the Department, providing the text remains unchanged

The Company did not have Form A, “Coverage Election”, available for use during the examination period.

3 Exceptions

18 Del. Admin. C. § 902-1.2.1.1 Prohibited Unfair Claim Settlement Practices.

1.2.1.1 Misrepresenting pertinent facts or insurance policy provisions relating to coverage at issue.

The Company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.

1 Exception

18 Del. Admin. C. § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices.

1.2.1.2 Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

The Company failed to acknowledge and respond to communications with respect to claims by insureds within 15 working days.

4 Exceptions

18 Del. Admin. C. § 902-1.2.1.3 Prohibited Unfair Claim Settlement Practices.

1.2.1.3 Failing to implement prompt investigation of claims arising under insurance policies within 10 working days upon receipt of the notice of the loss by the insurer.

The Company failed to implement the prompt follow-up investigation of claims.

7 Exceptions

18 Del. Admin. C. § 902-1.2.1.6 Prohibited Unfair Claim Settlement Practices.

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

The Company failed to effectuate a prompt, fair and equitable settlement of claims.

1 Exception

18 Del. C. § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims.

4.1 Upon payment in excess of \$5,000.00 in settlement of or upon judgment on any third-party liability or casualty claim and where the claimant is a natural person, the insurer or its representative shall mail to the third-party claimant written notice of payment at the same time such payment is made to the third party's attorney, accountant, agent or other representative.

The Company failed to provide the third-party claimant written notice of payment at the time such payment was made.

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, 2018 through December 31, 2019. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was a targeted review of Root Insurance Company's activities related to its personal automobile book of business in the following areas of operation: Company Operations and Management, Marketing and Sales, Consumer Complaints, 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 Root 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 complaint, 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

Root Insurance Company (“RIC” or “the Company”) is an Ohio domiciled direct-to-consumer personal lines property and casualty insurance company, which is a wholly owned subsidiary of Root, Inc. (“RHC”).

The Company began writing personal automobile insurance in April 2018 in the State of Delaware entirely through its smartphone mobile application (the “app”) primarily on iOS and Android platforms. Customers use the app to scan their driver’s license and provide other rating and underwriting profile information. The app turns the customer’s phone into a telematics device, gathering the customer’s driving data over a two to three week period. The app measures driving speeds, acceleration and braking patterns, lane changing and other activities that are correlated with auto accident frequency. These behaviors are incorporated into the underwriting and quoting process. According to the Company, when closer to full scale, the Company believes this low-cost automated underwriting approach, of an accurate upfront risk selection with no traditional agency commission, will result in lower combined ratios as compared to the personal automobile industry’s risk selection approach. Root’s policies include a 6-month full pay term or monthly billing options.

Root's total Private Passenger Automobile direct written premium in Delaware for 2018 was \$1,069,049 and their 2019 direct written premium in Delaware was \$7,314,294.

COMPANY OPERATIONS AND MANAGEMENT

The Company was asked to provide the following:

A written overview of the Company's operations, including management structure.
A description of all fines, penalties, and recommendations from any state for the last five (5) years, and to 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. For each entity listed, provide a copy of the contracts in effect during the examination period and copies of all audits performed of the third party since contract inception.

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

Responses were provided and reviewed. No exceptions were noted. Since Root is relatively new, they do not yet have a formal Internal Audit Program. They plan to establish one in 2020; however, they did conduct two nationwide Internal Audits that included Delaware policies, one pertaining to Non-pay cancellation notices and the other to Notices of premium increases. No Delaware exceptions were noted.

The Company told us that they were assessed a \$500 fine in 2019 by the Indiana Department of Insurance for missing a due date on a consumer complaint. This fine was confirmed.

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. The Company provided 82 images (pictures), 128 YouTube videos, and two text advertisements. Also

included were two websites maintained by or on behalf of the Company for marketing purposes. The web sites were: joinroot.com and rootbonus.com. In addition to these, there were three additional marketing subdomains maintained by the Company which were also included: try.joinroot.com, try.joinroot.com/perkspot/ and quote.joinroot.com.

All marketing and sales materials, including that of the above 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.

There were no exceptions.

The Company was also requested to provide copies of Delaware Department of Insurance approval of all marketing materials, applications, and notices. The Company stated they had no documents to provide. The Company uses a smartphone mobile application whose screens were reviewed and found suitable.

The Company was requested to provide copies of commission schedules for brokers and producers, if any. The Company stated they had no documents to provide. The Company sells its policies exclusively through the mobile application.

The Company was requested to provide a listing of all currently licensed and approved producers, if any. The Company provided a list of 13 producers. Since the Company sells its policies exclusively through the mobile application, none of these producers sell policies so they receive no commissions. The producers answer questions and make policy changes that require a licensed producer.

The Company was requested to provide a listing of all producers who have been terminated during the Examination period, if any. The Company provided a list of two licensed producers who were properly terminated based upon appointment changes.

No Exceptions were noted.

CONSUMER COMPLAINTS

The Company was requested to provide a listing of all complaints pertaining to personal automobile filed with them during the examination period of January 1, 2018 through December 31, 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. The Company provided a list of thirty (30) complaints that were filed with the Company during the examination period.

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.

18 *Del. C.* §2304(17) also requires maintenance of a complete record of all complaints received, since the date of its last examination. The Company stated that this was its initial examination, which was verified.

The Company also provided their Complaint Handling guidelines and procedures. These were reviewed and found sufficient.

Six of the thirty complaints were the result of an increase in premium at renewal. The examiners reviewed the new business declarations and the renewal declarations to determine the amount of the premium increase, as well as the complaint and underwriting file information to determine the cause of the complaint. In all six cases, the premium increase was justified and supportable.

Three of the complaints involved prior accidents that were discovered during the renewal review, two of the three complaints had misstated the months of continuous coverage with their prior carrier, and one of the three complaints told the Company that he had prior insurance when he did not.

Two of the thirty complaints were the result of premium increases during the quote process or during the first 60 days of the term. The examiners reviewed the complaint and underwriting file information for each consumer to determine the cause of the complaint. In both cases, the premium increase was justified and supportable.

One driver had received an initial premium prior to his test drive. The test drive provided insufficient data, so a revised premium was calculated, and a policy issued. The other driver received a quote, completed the test drive, but thought the subsequent quote was too high. A policy was never bound on this person. Factors contributing to the higher quote included the age of the operator (18), lack of credit history and only 15 months of insurance history.

The following exceptions were noted:

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

The Company had one complaint that was not listed in the log and listed two complaints that were combined with other complaints. The Company did not include the time involved in order to resolve the two complaints.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C.* § 2304(17).

UNDERWRITING AND RATING

The examination of Underwriting and Rating was conducted and performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 and 17. The Company was asked to provide a listing of all new, renewal and terminated personal automobile policies issued during the experience period, along with relevant copies of all personal automobile underwriting and rating manuals and personal auto forms and disclosures in use. The Company did not allow remote access to their underwriting and rating system, nor was an on-site review practical. The Company provided the requested documentation via hard copy.

Copies of policies and procedures regarding the use of credit information, including any specific efforts or reports to ensure compliance with 18 Del. C. §8301 – 8303, were also requested.

A sample termination notification and any supplemental documentation provided at the time of termination was also requested and provided.

New Business Policies

Customers can become policyholders in two different manners. Customers can receive a quote and have coverage bound immediately. A common customer is one without insurance. The quote is contingent upon the Company's underwriting acceptability standards. The now-policyholder then takes a test drive to generate a telematics score based on driving factors, and from that an updated premium is developed if the policyholder meets the telematics-based underwriting acceptability standards. This updated premium is then effective on Day 60 of the six-month policy term.

Customers can also take a test-drive before receiving quote. A common customer is one who has insurance but is "shopping". The test-drive generates a telematics score and a quote which is contingent upon both traditional underwriting acceptability standards as well as telematics underwriting acceptability standards. At that time, the customer can decide to complete an application and buy a policy that will be effective from the day the quote is generated or at some point in the future.

The examiners were provided a total universe of 6,283 Private Passenger Automobile policies written as new business during the examination period was January 1, 2018 through December 31, 2019. A random sampling of 116 policies 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 Chapters 16 and 17.

The rate testing consisted of manual rating to ensure the amount of premium generated by the Company's computer system was in accordance with the Company's 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 10 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 requested 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.

The examiners also compared seven different new business policy premiums with their subsequent renewal premium. The seven policies were selected because there were no insured-inspired changes during the six-month term that would have resulted in a premium revision. All renewal premium increases were solely the result of the Company's renewal process, including Base Rate changes and appropriate Rate Capping.

The examiners identified each rating variable whose factors changed at renewal. Each rating variable and its corresponding factors were filed and approved. The examiners then isolated each rating variable's renewal factor's sole impact on the corresponding new business rating variable, to determine the stand-alone impact of each factors' impact on the renewal premium. This additive method did not reconcile with the renewal premium increase due to the multiplicative nature of the rating plan where changes compounded on each other. Their multiplicative rating plan was part of their rate manual filing as the rating order calculation. As such, the renewal premium increases were justified and supportable.

Renewal Policies

The examiners were provided a total universe of 2,848 Private Passenger Automobile renewal policies during the examination period was January 1, 2018 through December 31, 2019. A random sampling of 115 policies 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 Chapters 16 and 17.

The rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system was in accordance with the Company's 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 10 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 requested 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.

Credit Information

Copies of policies and procedures regarding the use of credit information, including any specific efforts or reports to ensure compliance with 18 Del. C. §8301 – 8303, were also requested, provided and reviewed.

The Company does not use credit scoring as a means to reject an applicant. The Company uses credit scoring for rating. A FICO credit score is ordered on the primary named insured. Using the FICO score, the Company has 52 tiers, and each has its own factor for coverages. “No-Hits” and “No Scores” are assigned tiers and also have their own factors for each coverage. The tier determined at this point is used for subsequent renewal terms unless a re-order is requested by the primary named insured. If the new score is better, the named insured will be placed in a better tier. If the new score is worse, the named insured’s tier will not change.

No exceptions were noted.

Terminated Policies

The examiners were provided a total universe of 181 Private Passenger Automobile policies that were terminated at the request of the Company during the examination period was January 1, 2018 through December 31, 2019. A random sample of 79 terminated policies was selected according to the NAIC Market Regulation Handbook guidelines. 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 and 17. The following exception was noted.

1 Exception: 18 Del C. § 3904 Cancellation or nonrenewal of automobile policy - Reasons for cancellation or nonrenewal.

The Company did not use an allowable reason for one non-renewal policy.

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

The examiners also reviewed the Company’s Termination Premium/Fees report compared to the Company’s Cancellation Rating Data and further compared to the Cancellation Reports for 10 policies which show uniform reporting and consistent return premium data.

Forms, Notices, Disclosures and Endorsements

The Company provided five notices and one disclosure. All five notices were reviewed to verify their approval by the Delaware Department of Insurance. The Company’s one disclosure was not required to be filed but was reviewed. No exceptions were noted.

The Company also provided 11 automobile forms and endorsements. All 11 automobile forms and endorsements were reviewed to verify their approval by the Delaware Department of Insurance. The following exceptions were noted.

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

The Company did not file for approval from the Delaware Department of Insurance for its Declaration pages.

Recommendation: It is recommended that the Company file their Declaration pages in compliance with 18 Del. C. § 2712(a).

1 Exception: 18 Del. C. § 603-11.0 - Delaware Form A “Coverage Election”.

The Company did not have Form A, “Coverage Election” available for use during the examination period.

Recommendation: It is recommended that the Company file and begin using Form A “Coverage Election” in compliance with 18 Del. C. § 603-11.0.

CLAIMS HANDLING

The examination of claims was conducted and 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 Company did not allow remote access to their claims system, nor was an on-site review practical due to COVID restrictions and the resultant inability to travel. The Company provided the requested documentation via hard copy.

Paid Claims

The Company was requested to provide a listing of all Paid Private Passenger Automobile claims during the examination period of January 1, 2018 through December 31, 2019. The Company provided a universe of 925 claims paid during the examination period. Of the 925 paid claims, a random sampling of 105 claims were selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. All 105 claims were reviewed for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Chapters 16 and 17.

The following exceptions were noted.

3 Exceptions: 18 Del. Admin. C. § 902-1.2.1.1 Prohibited Unfair Claim Settlement Practices.

The Company misrepresented pertinent facts or insurance policy provisions relating to coverage at issue. Two of the noted exceptions involved inaccurate communication with the policyholder regarding claims settlement. In the third exception the consumer was not informed that the Company had a duty to defend her in an action brought against her by a third party involved in an accident.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.1 Prohibited Unfair Claim Settlement Practices.

1 Exception: 18 *Del. Admin. C.* § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices.

The Company failed to acknowledge and respond to communications with respect to claims by insureds within 15 working days.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices.

4 Exceptions: 18 *Del. Admin. C.* § 902-1.2.1.3 Prohibited Unfair Claim Settlement Practices.

The Company failed to implement the prompt follow-up investigation of claims. In each case noted, the original claim was acknowledged however efforts to close the claim were delayed.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.3 Prohibited Unfair Claim Settlement Practices.

7 Exceptions: 18 *Del. Admin. C.* § 902-1.2.1.6 Prohibited Unfair Claim Settlement Practices.

The Company failed to effectuate a prompt, fair and equitable settlement of claims. A variety of errors were noted during the examination process. In four of the exceptions noted, the Company did not appropriately settle the original claim and after review by the examiner additional funds were remitted to the policyholder. In three of the exceptions noted, the claims processing was not considered timely.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.6 Prohibited Unfair Claim Settlement Practices.

1 Exception: 18 Del. C. § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims.

The Company failed to provide the third-party claimant written notice of payment at the time such payment was made.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 Del. C. § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims.

Closed Without Payment Claims

The Company was requested to provide a listing of all Closed Without Payment Private Passenger Automobile claims during the examination period of January 1, 2018 through December 31, 2019. The Company provided a universe of 716 claims closed without payment during the examination period. Of the 716 claims, a random sampling of 105 claims were selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. All 105 claims were reviewed for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Chapters 16 and 17.

No exceptions were noted.

Denied Claims

The Company was requested to provide a listing of all Denied Passenger Automobile claims during the examination period of January 1, 2018 through December 31, 2019. The Company provided a universe of 514 claims denied during the examination period. Of the 514 claims, a random sampling of 105 claims was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. All 105 claims were reviewed for compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Chapters 16 and 17.

No exceptions were noted.

CONCLUSION

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

1. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C.* § 2304(17). (Consumer Complaints)
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 their Declaration pages in compliance with 18 *Del. C.* § 2712(a). (Underwriting and Rating)
4. It is recommended that the Company file and begin using Form A “Coverage Election” in compliance with 18 *Del. C.* § 603-11.0. (Underwriting and Rating)
5. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.1 Prohibited Unfair Claim Settlement Practices. (Claims Handling)
6. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.2 Prohibited Unfair Claim Settlement Practices. (Claims Handling)
7. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.3 Prohibited Unfair Claim Settlement Practices. (Claims Handling)
8. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902-1.2.1.6 Prohibited Unfair Claim Settlement Practices. (Claims Handling)
9. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C.* § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims. (Claims Handling)

The examination conducted by Joe Krug, Mark Plesha, James Hartsfield, Karen Gerber, and Bradley Shoop 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 oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority 10974-20-702.



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