

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

INTEGON INDEMNITY CORPORATION
NAIC #22772

INTEGON NATIONAL INSURANCE COMPANY
NAIC #29742

NATIONAL GENERAL ASSURANCE COMPANY
NAIC #42447

As of

July 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF 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 July 31, 2024 on

**INTEGON INDEMNITY CORPORATION
INTEGON NATIONAL INSURANCE COMPANY
NATIONAL GENERAL ASSURANCE COMPANY**

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

Attest By:

A handwritten signature in blue ink, appearing to read "A. J. ...", 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 10th day of February, 2025.

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

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF THE
**INTEGON INDEMNITY CORPORATION
INTEGON NATIONAL INSURANCE COMPANY
NATIONAL GENERAL ASSURANCE COMPANY**

AS OF

July 31, 2024

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 10th day of February, 2025.

Trinidad Navarro
Insurance Commissioner

Table of Contents

SCOPE OF EXAMINATION	2
METHODOLOGY	2
APPLICATION PROCESSES AND AGENT HANDLING.....	2
EXCEPTIONS NOTED	3
CONCLUSION	4

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 Number 22772-24-517, 29742-24-519, and 42447-24-518 and pursuant to statutory provisions including 18 *Del C.* §§ 318-322, a Market Conduct Desk Examination has been conducted of the affairs and practices of:

**Integon Indemnity Corporation,
Integon National Insurance Company,
and National General Assurance Company**

The examination was performed as of July 31, 2024.

The examination was conducted off-site, performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DOI, or other suitable locations.

The report of examination herein is respectfully submitted.

SCOPE OF EXAMINATION

The Market Conduct Examination of Integon Indemnity Corporation, Integon National Insurance Company, and National General Assurance Company hereinafter referred to as the Companies, was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318 – 322. The purpose of the examination was to determine compliance by the Companies with applicable Delaware laws and regulations related to their application processes and agent handling. This review was conducted through multiple interrogatories and a desk review of Company-provided documents, pursuant to 18 *Del. C.* § 318. The period of review is from January 1, 2022, through July 31, 2024.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

The Companies were requested to provide their procedures for their application processes and agent handling.

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, regulation, or bulletin. Exceptions contained in the Report may result in imposition of penalties.

APPLICATION PROCESSES AND AGENT HANDLING

The Delaware Department of Insurance reviewed the Companies procedures related to how they process applications (paper, electronically, or both), and their agent handling including how they monitor their agents' appointments and terminations.

The Companies provided the requested documentation, which was reviewed to ensure compliance with the State of Delaware Department of Insurance statutes and regulations.

The following are the observations noted during the course of the examination:

- The Companies' application system has an automated dropdown list of agents and contains only the names of people currently licensed to sell the product. The agent selling the product selects their name from that dropdown list.
- The Companies do not currently monitor ongoing licensure once they appoint the agency or producer. All of their license validation, appointment and termination processes are done via Verafore, which is a third-party vendor. In this process, they

- review the PDB (Producer Database) report that is received from NIPR. There are underwriting guides published for every agency on their policy system based on the product permissions granted to the agency. Every producer that has been granted system access for the given agency would have access to the underwriting guides. In this context, “appointed” would reference the producer’s ability to quote/bind business and not the actual appointment notice to the state.
- For notice of appointment to the state the Companies use a “just in time” process that submits the notice of appointment to the state once the producer writes a piece of business.
 - The Companies are currently working on an automated solution that would provide them with notification regarding any changes to the licensure for any agency or producer.
 - Integon Indemnity Corporation explained that the 199% increase in premiums from 2022 to 2023 is directly tied to their increase in new business, which increased by almost 150% between 2022 and 2023, coupled with two rate revisions throughout 2023 with a combined impact of approximately 15%.
 - The Companies reported that if a policy is undeliverable, rescinded or voided, the premiums that have been received with the application will be refunded in the same manner as they were purchased. If the premiums submitted with the application are in cash or cashier’s check, the premiums are returned by paper check unless a request is received to return a different way. If they consumer pays cash at the agent’s office, they would have to do an agent’s draft and funds would be returned by paper check as well unless the agent does a draft correction.
 - The Companies provided 380 policies issued by a specific agency for the period of January 1, 2022, through April 13, 2024. Of those, all 380 were written by two agents who were licensed in Delaware at the time the policies were written however, neither agent was appointed with the Company.
 - The Companies provided a response regarding inquiries about the negative direct losses incurred reported in 2023 for both Integon National Insurance Company and National General Assurance Company. The company explained that these negative losses are allocated from Good Hands Repair reimbursements. The company explained that these amounts are booked by state but not split to legal entity. The company further explained that these credits have historically been booked to Integon National Insurance Company when they should have been allocated to other entities and that the issue will be corrected going forward.

EXCEPTIONS NOTED

2 Exceptions 18 Del. C. § 1703. *License required. A person shall not transact insurance in this State for any class or classes of insurance unless the person is licensed as an insurance producer, adjuster or appraiser for that line of authority in accordance with this chapter.*

An unlicensed agent sold 2 policies during this time.

380 Exceptions 18 Del. C. § 1715. Appointments. *(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.*

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

The Companies allowed 380 policies for the period of January 1, 2022 through April 13, 2024 to be issued by agents that were not appointed with the Company.

CONCLUSION

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

- It is recommended that the Companies conduct a self-audit of all policies issued in the state of Delaware for the period of January 1, 2022, to September 30, 2024. The review should include verifying that all agents issuing the policies are licensed in the state and appointed by the Company.
- The self-audit report should also include a status update on the automated solution that the Companies are developing to provide them with notifications regarding any changes to the licensure for any agency or producer. This should include the controls in place to ensure that when the agent logs into the system, their credentials are verified, and only their name can be selected from the dropdown menu.
- The self-audit report should also include the Companies' procedures for returned checks to be submitted to the state's escheatment office.
- For the 380 policies issued by the specific agency named during the review, the Companies must report how many of the policies were rescinded and/or voided and of those, how many checks were returned as undeliverable.
- For the 380 policies issued by the specific agency, the Companies must provide the amount of commission received for each policy and indicate if any of these commissions were rescinded.
- The Companies in this report and all members within the group, should correctly allocate the Good Hands Repair reimbursements to each individual company in subsequent annual statement filings. (Filing inaccurate financial data, especially to components used in calculating the loss ratios, directly impacts statewide and national loss ratio averages.)

The examination was conducted by Susanna Stevens and Tanya Sherman.

Tanya V. Sherman

Tanya Sherman
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Tanya Sherman, 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 Number 53287-23-621.

Tanya V. Sherman

Tanya Sherman