

MARKET CONDUCT EXAMINATION REPORT

OF

JEFFERSON INSURANCE COMPANY

AS OF

June 30, 2014

COMMONWEALTH OF VIRGINIA

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



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, William T. Felvey, Senior Insurance Market Analyst of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Jefferson Insurance Company as of June 30, 2014, conducted at the company's office in Richmond, Virginia 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-2016-00027 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 17th day of March, 2016.

A handwritten signature in cursive script, appearing to read "William T. Felvey", written over a horizontal line.

William T. Felvey, CPCU, AIE, ARe
Examiner in Charge

MARKET CONDUCT EXAMINATION REPORT

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the travel line of business written by Jefferson Insurance Company at its office in Richmond, Virginia.

The examination commenced May 18, 2015 and concluded September 1, 2015. Andrea D. Baytop, William T. Felvey, and Karen S. Gerber, 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 March 11, 2015 and was assigned the examination number of VA177-M12. The examination was conducted in accordance with guidelines contained in the National Association of Insurance Commissioners Market Regulation Handbook.

COMPANY PROFILE

Jefferson Insurance Company "Jefferson" was incorporated on March 15, 1950 under the laws of the state of New York and commenced business on June 8, 1950. The words "of New York" were added to the name of the company on February 1, 1952; these words were removed and the current name was adopted effective March 15, 2000. The Allianz SE Group of Companies ("Allianz") acquired an ownership interest in Jefferson between 1989 and 1992, through stock transfers and the Allianz affiliate, Allianz Global Risk US Insurance Company ("AGRUS") became Jefferson's sole stockholder; AGRUS and Jefferson were ultimately controlled by Allianz. Effective April 1, 2007, 100 percent of Jefferson's stock transferred from AGRUS to AGA Inc. (formerly named World Access, Inc.). AGA Inc. is entirely owned by AGA International S.A. ("AGAI") which is entirely owned by Allianz Worldwide Partners SAS, ("AWP").

Jefferson is the designated affiliated provider of travel insurance for Allianz, specifically underwriting coverage for affiliate AGA Service Company, also known as “Allianz Global Assistance” (“AGASC”). Jefferson receives management, sales and marketing, support systems and equipment and personnel services from its affiliate, AGASC. AGASC also manages and administers all claims filed with respect to Jefferson’s insurance products, pursuant to the agreements between AGASC and Jefferson.

* Source: Historical description provided by Jefferson Insurance Company.

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

GROUP CODE: 0761	JIC
NAIC Company Number	11630
LICENSED IN VIRGINIA	7/2/1984
LINES OF INSURANCE	
Accident and Sickness	5/2/2007
Aircraft Liability	X
Aircraft Physical Damage	X
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	X
Burglary and Theft	X
Commercial Multi-Peril	X
Credit	
Farmowners Multi-Peril	X
Fidelity	X
Fire	X
General Liability	X
Glass	X
Homeowners Multi-Peril	X
Inland Marine	X
Miscellaneous Property	X
Ocean Marine	X
Surety	X
Water Damage	X
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2014 for the line of insurance included in this examination.*

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Jefferson Insurance Company		
Inland Marine	\$11,497,824	2.94%
Group Accident and Health	\$1,244,512	1.67%

* Source: The 2014 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 travel insurance claims filed in Virginia for the period beginning July 1, 2013, and ending June 30, 2014. 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 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.

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 specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the claims handling processes were chosen by random sampling of the populations provided by the company. The relationship between population and sample is shown below.

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	JIC	TOTAL	Population Sample Requested		FILES WITH ERRORS	ERROR RATIO
			FILES REVIEWED	FILES NOT FOUND		
Travel Insurance						
Claims						
Travel ¹		<u>7224</u> 127	124	0	44	35%

Footnote ¹ - Three files were not VA consumers and therefore, were not reviewed.

PART ONE - THE EXAMINERS' OBSERVATIONS

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

CLAIMS REVIEW

Travel Insurance Claims

The examiners reviewed 124 travel insurance claims for the period of July 1, 2013 through June 30, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$350.00 and underpayments totaling \$5,875.00. The net amount that should be paid to claimants is \$5,875.00 plus six percent (6%) simple interest.

- (1) The examiners found 20 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 five 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.
- (3) The examiners found one violation of 14 VAC 5-400-50 A. The company failed to acknowledge a claim within ten working days of notification of the claim.

- (4) 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 pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.
- (5) The examiners found six 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 six 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 four 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.
- (8) The examiners found one violation 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.
- (9) The examiners found nine 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 policies.

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

- (10) The examiners found one violation 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.

- (11) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than he/she was entitled to receive under the terms of his/her policy.

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 this threshold indicates a general business practice. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Jefferson Insurance Company shall:

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

Claims Review

Jefferson 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) Adopt and implement standards for prompt investigation of claims.

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:

- The Company should review § 52-40 of the Code of Virginia for the precise language required in the fraud notice.
- 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.

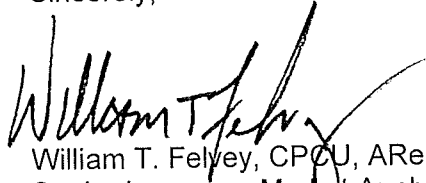
SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

ACKNOWLEDGEMENT

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

Sincerely,



William T. Felvey, CPCU, ARe
Senior Insurance Market Analyst

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
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September 29, 2015

VIA UPS 2nd DAY DELIVERY

Elizabeth Lee, ACP
Vice President, Corporate Compliance
Allianz Global
9950 Mayland Drive,
Richmond, Virginia 23233

RE: Market Conduct Examination
Jefferson Insurance Company NAIC # 11630
Examination Period: 7/1/2013 – 6/30/2014

Dear Ms. Lee:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of July 1, 2013 through June 30, 2014. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report. 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 they wish 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 they are 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 claim underpayments.

The company's response and the spreadsheet mentioned above must be returned to the Bureau by November 4, 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 November 4, 2015.

Sincerely,

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

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

William Felvey

From: McAllister, Keith (Allianz Global Assistance) <Keith.McAllister@allianzassistance.com>
Sent: Wednesday, November 04, 2015 12:59 PM
To: William Felvey
Cc: Faett, Fred (Allianz Global Assistance); Zemp, Jack (Allianz Global Assistance); de Haas, Duke (Allianz Global Assistance); Saunders, Leigh (Allianz Global Assistance)
Subject: Market Conduct Examination of Jefferson Insurance Company
Attachments: Final CORRECTIVE ACTION PLAN.docx; Final Exhibit A.docx; Final Exhibit B.docx; Final Exhibit C.docx; Final Jefferson Preliminary Report.docx; Claims Underpayments Cited during the Examination.xlsx

Good afternoon, Will:

Attached please find Jefferson Insurance Company's response to your letter of September 29th. As always, please just let me know if you have any questions.

Regards,

Keith J. Redden-McAllister
Senior Regulatory Compliance Analyst, USA

Tel: 1.804.673.1528
Fax: 1.804.673.1446

Keith.McAllister@allianzassistance.com

Allianz Global Assistance

9950 Mayland Drive
Richmond, Virginia 23233

www.allianzassistance.com

How can we help?

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* Source: Historical description provided by Jefferson Insurance Company.

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Automobile Physical Damage	X
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Burglary and Theft	X
Commercial Multi-Peril	X
Credit	
Farmowners Multi-Peril	X
Fidelity	X
Fire	X
General Liability	X
Glass	X
Homeowners Multi-Peril	X
Inland Marine	X
Miscellaneous Property	X
Ocean Marine	X
Surety	X
Water Damage	X
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2014 for the line of insurance included in this examination.*

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Jefferson Insurance Company		
Inland Marine	\$11,497,824	2.94%
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* Source: The 2014 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

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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 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.

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 specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the claims handling processes were chosen by random sampling of the populations provided by the company. The relationship between population and sample is shown below.

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	JIC	TOTAL	Population		FILES WITH ERRORS	ERROR RATIO
			Sample Requested	FILES NOT FOUND		
			FILES REVIEWED			
Travel Insurance						
Claims						
Travel ¹		<u>7224</u>	124	0	44	35%
		127				

Footnote ¹ - Three files were not VA consumers and therefore, were not reviewed.

PART ONE - THE EXAMINERS' OBSERVATIONS

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

CLAIMS REVIEW

Travel Insurance Claims

The examiners reviewed 124 travel insurance claims for the period of July 1, 2013 through June 30, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$350.00 and underpayments totaling \$5,875.00. The net amount that should be paid to claimants is \$5,875.00 plus six percent (6%) simple interest.

The Company respectfully refers the Bureau to Exhibits A and B attached with this response. Based on the Company's view that it did not violate Virginia law with regard to two claims, please see the included file "Claims Underpayments Cited during the Examination" which outlines the payments and interest which the Company has made.

- (1) The examiners found 20 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.

Acknowledged. The Company agrees that there were certain instances where specific documents could not be regenerated, although the Company's systems demonstrated that, in many instances, a particular activity took place with regard to a claim.

- (2) The examiners found five 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.

Please see attached Exhibit C. All benefits are clearly outlined for consumers when insuring documents are issued at the time of purchase. In the five instances cited, the Company followed this procedure.

Also, when a consumer files a claim, the Company's acknowledgement documents include another outline for the consumer of the benefits which they may be entitled to.

- (3) The examiners found one violation of 14 VAC 5-400-50 A. The company failed to acknowledge a claim within ten working days of notification of the claim.

Acknowledged.

- (4) 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 pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

Acknowledged. In regards to both this finding, and the finding mentioned in (3) above, the Company will continue to emphasize with its Associates the importance of timely response to all consumer contacts.

- (5) The examiners found six 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.

Acknowledged. The Company will continue to have its Associates focus on providing all consumers with a clear, reasonable, and complete written explanation in any claim where coverage may not be available in full or part. Additionally, our internal requirements, as outlined in the Company's Claim Manual, regarding inclusion of that documentation in each claim file will be emphasized with our Associates.

- (6) The examiners found six 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.

Acknowledged. The Company will continue to emphasize with its Associates the requirement to provide a clear and reasonable written explanation for consumers in any claim where coverage may not be available.

- (7) The examiners found four 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.

Acknowledged with regard to three violations. With regard to one of

the alleged violations, please see the response attached as Exhibit

A.

- (8) The examiners found one violation 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.

Acknowledged.

- (9) The examiners found nine 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 policies.

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

Acknowledged with regard to eight violations. With regard to one of the alleged violations, please see the response attached as Exhibit B. The Company agrees that there were instances where its investigation of a claim could have taken place in a more timely fashion.

- (10) The examiners found one violation 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.

Acknowledged.

- (11) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than he/she was entitled to receive under the terms of his/her policy.

Acknowledged.

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 this threshold indicates a general business practice. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Jefferson Insurance Company shall:

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

Please see the Company's attached Corrective Action Plan (CAP).

Claims Review

Jefferson 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) Adopt and implement standards for prompt investigation of claims.

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:

- The Company should review § 52-40 of the Code of Virginia for the precise language required in the fraud notice.
- 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 thanks the Bureau for its recommendations and will incorporate a refresher into its ongoing training regarding written claim denials. Further, the Company has reviewed and is updating its fraud notice in accordance with § 52-40 of the Code of Virginia.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

ACKNOWLEDGEMENT

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

Sincerely,

William T. Felvey, CPCU, ARe
Senior Insurance Market Analyst

CORRECTIVE ACTION PLAN

for the

***MARKET CONDUCT EXAMINATION
REPORT***

of

JEFFERSON INSURANCE COMPANY

Claims Review

Jefferson Insurance Company shall:

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

Please refer to the Company's response below.

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

The Company agrees with the findings related to TRV102 – [REDACTED] and TRV075 – [REDACTED]. Please refer to the attachment "Claims Underpayments Cited during the Examination".

The Company also respectfully refers the Bureau to its Exhibits A & B in reference to the other two cited claims.

- (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.

Please see the included file "Claims Underpayments Cited during the Examination".

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

A training class reinforcing the requirement for proper claim documentation shall be conducted for all Associates processing claims. This class will specifically address the requirements of 14 VAC 5-400-30, 14 VAC 5-400-40, 14 VAC 5-400-50,

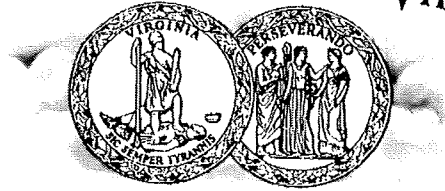
14 VAC 5-400-70, and Va. Code § 38.2-510. The class will focus on the events and dates pertinent to the individual claim. The class will be developed and completed by 12/31/2015.

- (5) Adopt and implement standards for prompt investigation of claims.

A training class shall be conducted to address the requirement to promptly address claims. The class shall address the requirements of the statute and shall be completed by 12/31/2015.

COMMONWEALTH OF VIRGINIA

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



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

December 4, 2015

VIA UPS 2nd DAY DELIVERY

Jack Zemp
Deputy General Counsel
Allianz Global
9950 Mayland Drive,
Richmond, Virginia 23233

RE: Market Conduct Examination
Jefferson Insurance Company NAIC # 11630
Examination Period: 7/1/2013 – 6/30/2014

Dear Mr. Zemp:

The Bureau of Insurance (Bureau) has reviewed the November 4, 2015 response to the Preliminary Market Conduct Report (Report) of Jefferson Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – THE EXAMINERS' OBSERVATIONS

Claims Review

- (2) These violations remain in the Report. The Company indicated in its response that "All benefits are clearly outlined for consumers when insuring documents are issued at the time of purchase." Moreover, the Company further stated "when a consumer files a claim, the Company's acknowledgement documents include another outline for the consumer of the benefits which they may be entitled to." The aforementioned is part of an automated process developed by the Company. However, the examiner would refer the Company to its response in review sheet ClaimTravelTravel-1444807560; the Company stated that "As our products provide a broad suite of benefits, it is possible more than one benefit may apply to a consumer's situation." This statement made by the Company demonstrates the importance of disclosing the "pertinent" coverages and the Company should have extended the customer service courtesy of educating the insured of the

“pertinent” coverages instead of relying on an automated system process that left the insured to determine-among multiple coverages-which coverage(s) may respond. By simply relying on the automated process to inform the insured of all coverages the Company made the business decision to place the onus on the insured to advance the claim under the coverage(s) he/she guessed may or may not apply or worse yet, not to pursue a claim because of a misinterpretation of the policy provision(s) governing a particular coverage. Each claim involved unique circumstances that required the Company to tailor its approach to the insured in terms of disclosing the pertinent coverage(s).

In TRV006, the insured put the Company on notice that she sought medical treatment on board the cruise liner and that she was transported due to her sudden, medical emergency. The Company was silent upon this notification. Either the Company failed to properly investigate this aspect of the claim (to verify and/or rule out coverage) or at minimum, the Company failed to react to this notice and disclose the Emergency Medical coverage (which was one of eight coverages found in the policy that was over 30 pages in length).

The violations in TRV013, TRV016, TRV025, and TRV093 illustrate how the “broad suite of benefits...may apply to a consumer’s situation.” The Company failed to advise the insured of the specific coverage, limit, and what documentation was specifically required for the claim to be advanced. This latter point is especially relevant for TRV093 and speaks to an issue that the Company raised in its response: the insured had “the opportunity to list any and all expenses incurred as a result of the delay he experienced on the claim form provided.” A review of this claim form does indicate that the insured was provided an opportunity to itemize those incurred charges related to the loss; however, the categories noted were “airfare”, “lodging”, “tour(s)”, and “other”-in other words, unfortunately, the reimbursement of incurred expenses related to food was not explicitly conveyed to the insured either verbally or via correspondence (such as this claim form) and the insured may not have known that he could claim this expense.

- (7) This violation stays in the Report. The Company responded that it sent the insured correspondence on June 27th, July 18th, and September 11, 2014 requesting the explanation of benefits and the medical records. The Company’s response of June 11, 2015 to review sheet Claim TravelTravel-1297447792 indicated that the Company would have moved the claim forward had the insured contacted the Company and advised same that he did not have health insurance; this same response indicates that the Company would have had the insured execute an “affidavit of no insurance.” The Company’s response to the same review sheet dated June 25, 2015 mentions that the “client did not provide any medical records, EOBs, or an affidavit of no insurance in response to the Company’s multiple requests.” The examiner cannot locate anywhere in the claim file where the Company advised the insured that if she did not health insurance that she could complete the affidavit of no insurance. In other words, the correspondence(s) noted above, request the explanation of benefits and the medical records; they do not give

insured the option of executing the affidavit if she did not have health insurance at the time of the loss. As the examiner stated in her response, a phone call to the insured may have averted this violation.

- (9) This violation remains in the Report. Without waiving any of the points raised in the exchange of the review sheets the examiner would offer the following point that required a more thorough investigation than the one conducted by the Company. The insured completed the "Claim Form" (on 1.20.2014) and indicated that she "found out on 1/2/14 from x-ray that my (95 yr.) dad had fractured his hip, requiring surgery + [sic] I had to change travel plans." The insured did note in the "Date incident occurred" field the date "12/26/13". The examiner in reviewing the "Physician Statement Form", which was completed by a licensed medical physician on 1.4.2014, noted that the "Date symptoms first appeared or accident occurred" field indicated "1.3.14". The physician conducted the actual examination on 1.4.2014 and it is assumed that the physician developed the information for the date (1.3.2014) from his evaluation of the insured's father; in other words, this date didn't come from the insured herself but from the patient who experienced the fall. At minimum, we have conflicting dates-one provided by the insured (who may or may not have been present at the time of the fall) and the other via a licensed medical physician (from his evaluation of the patient). The Company should have recognized this discrepancy and investigated same to verify which date was accurate considering the coverage of this claim depended on the date of the fall relative to date the insurance contract was purchased; the investigation into this aspect of the claim would have ruled out this discrepancy.

Enclosed with this letter is a copy of the Report, technical reports and Restitution spreadsheet. The Company's response to this letter is due to the Bureau's office by January 04, 2016.

Sincerely,

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

Enclosures

William Felvey

From: de Haas, Duke (Allianz Global Assistance) <Duke.deHaas@allianzassistance.com>
Sent: Friday, January 15, 2016 2:18 PM
To: Joy Morton; William Felvey
Subject: Jefferson Insurance Company Market Conduct Exam Response
Attachments: JIC Market Conduct Exam - Preliminary Report Response.pdf; JIC Market Conduct Exam Cover Ltr 01.15.2016.pdf; JIC Market Conduct Exam - Claims Underpayments Cited.pdf; JIC Market Conduct Exam - Corrective Action Plan.pdf

Joy and Will,

Attached is Jefferson Insurance Company's response to the Bureau's letter and report of December 4, 2015.

Enclosed is a transmittal letter, the Exam Report response, the Corrective Action Plan, and the Claims Underpayments Cited exhibit. We are also sending this information to you by overnight delivery but, due to the holidays, you will not receive the hard copies until Tuesday.

We look forward to bringing this examination to a successful conclusion, and please don't hesitate to call me if you have any questions.

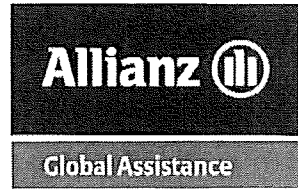
Thanks, and have a great weekend!

Duke de Haas
Director, Associate General Counsel, USA
Tel: 1.804.281.6707
Cell: 1.804.543.6197
Fax: 1.804.673.1467
duke.dehaas@allianzassistance.com

Allianz Global Assistance

9950 Mayland Drive
Richmond, Virginia 23233
www.allianzassistance.com

How can we help?



January 15, 2016

VIA EMAIL

Joy M. Morton, Supervisor
Market Conduct Section
Property and Casualty Division
Bureau of Insurance
State Corporation Commission
P.O. Box 1157
Richmond, VA 23218

Re: Market Conduct Examination
Jefferson Insurance Company, NAIC #11630
Examination Period: 7/1/2013—6/30/2014

Dear Ms. Morton:

Thank you for your response of December 4, 2015 to our prior response dated November 4, 2015. We appreciate the additional opportunity to respond with regard to the Bureau's claims market conduct examination report of Jefferson Insurance Company ("Jefferson" or the "Company"). After careful review and analysis of the Bureau's December 4, 2015 response as well as conversations with the Bureau related thereto, the Company does not have further legal argument or substantive information to provide at this time, but it respectfully maintains its position as asserted in the prior response with regard to the violations alleged by the Bureau.

For the Bureau's consideration prior to finalizing the examination report, the Company would like to provide the following information. As noted in the Corrective Action Plan, Jefferson conducted training that reinforced statutory and regulatory requirements for all Associates processing claims prior to December 31, 2015. In addition, the Company paid all alleged underpayments as directed by the Bureau in its examination report. Finally, the Company respectfully reserves its right to seek an audience with the Bureau prior to finalizing the examination report, depending on the final outcome of this matter.

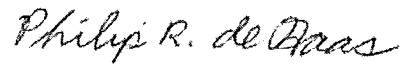
How can we help?

Allianz Global Assistance
9950 Mayland Drive
Richmond, Virginia 23233

1.800.284.8300
www.allianzassistance.com

The Company acknowledges the Bureau's thoroughness and hard work in conducting this examination, which has also assisted the Company with its compliance obligations. Jefferson remains committed to conducting its business in accordance with all applicable statutes and regulations, and the Company appreciates the opportunity to work with the Bureau in bringing this examination to a successful conclusion.

Sincerely,

A handwritten signature in black ink that reads "Philip R. de Haas". The signature is written in a cursive style with a clear, legible font.

Philip R. "Duke" de Haas
Director, Associate General Counsel
Allianz Global Assistance

MARKET CONDUCT EXAMINATION REPORT

OF

JEFFERSON INSURANCE COMPANY

AS OF

June 30, 2014

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

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the travel line of business written by Jefferson Insurance Company at its office in Richmond, Virginia.

The examination commenced May 18, 2015 and concluded September 1, 2015. Andrea D. Baytop, William T. Felvey, and Karen S. Gerber, 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 March 11, 2015 and was assigned the examination number of VA177-M12. The examination was conducted in accordance with guidelines contained in the National Association of Insurance Commissioners Market Regulation Handbook.

COMPANY PROFILE

Jefferson Insurance Company "Jefferson" was incorporated on March 15, 1950 under the laws of the state of New York and commenced business on June 8, 1950. The words "of New York" were added to the name of the company on February 1, 1952; these words were removed and the current name was adopted effective March 15, 2000. The Allianz SE Group of Companies ("Allianz") acquired an ownership interest in Jefferson between 1989 and 1992, through stock transfers and the Allianz affiliate, Allianz Global Risk US Insurance Company ("AGRUS") became Jefferson's sole stockholder; AGRUS and Jefferson were ultimately controlled by Allianz. Effective April 1, 2007, 100 percent of Jefferson's stock transferred from AGRUS to AGA Inc. (formerly named World Access, Inc.). AGA Inc. is entirely owned by AGA International S.A. ("AGAI") which is entirely owned by Allianz Worldwide Partners SAS, ("AWP").

Jefferson is the designated affiliated provider of travel insurance for Allianz, specifically underwriting coverage for affiliate AGA Service Company, also known as "Allianz Global Assistance" ("AGASC"). Jefferson receives management, sales and marketing, support systems and equipment and personnel services from its affiliate, AGASC. AGASC also manages and administers all claims filed with respect to Jefferson's insurance products, pursuant to the agreements between AGASC and Jefferson.

* Source: Historical description provided by Jefferson Insurance Company.

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

GROUP CODE: 0761	JIC
NAIC Company Number	11630
LICENSED IN VIRGINIA	7/2/1984
LINES OF INSURANCE	
Accident and Sickness	5/2/2007
Aircraft Liability	X
Aircraft Physical Damage	X
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	X
Burglary and Theft	X
Commercial Multi-Peril	X
Credit	
Farmowners Multi-Peril	X
Fidelity	X
Fire	X
General Liability	X
Glass	X
Homeowners Multi-Peril	X
Inland Marine	X
Miscellaneous Property	X
Ocean Marine	X
Surety	X
Water Damage	X
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2014 for the line of insurance included in this examination.*

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Jefferson Insurance Company		
Inland Marine	\$11,497,824	2.94%
Group Accident and Health	\$1,244,512	1.67%

* Source: The 2014 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 travel insurance claims filed in Virginia for the period beginning July 1, 2013, and ending June 30, 2014. 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 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.

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 specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the claims handling processes were chosen by random sampling of the populations provided by the company. The relationship between population and sample is shown below.

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	JIC	TOTAL	Population Sample Requested		FILES WITH ERRORS	ERROR RATIO
			FILES REVIEWED	FILES NOT FOUND		
<u>Travel Insurance</u>						
<u>Claims</u>						
Travel	¹	7224 127	124	0	44	35%

Footnote ¹ - Three files were not VA consumers and therefore, were not reviewed.

PART ONE - THE EXAMINERS' OBSERVATIONS

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

CLAIMS REVIEW

Travel Insurance Claims

The examiners reviewed 124 travel insurance claims for the period of July 1, 2013 through June 30, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$350.00 and underpayments totaling \$5,875.00. The net amount that should be paid to claimants is \$5,875.00 plus six percent (6%) simple interest.

The Company respectfully refers the Bureau to the attached file "Claims Underpayments Cited" which outlines the payments and interest which the Company has made.

- (1) The examiners found 20 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.

Acknowledged. The Company agrees that there were certain

instances where specific documents could not be regenerated, although the Company's systems demonstrated that, in many instances, a particular activity took place with regard to a claim.

- (2) The examiners found five 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.

Acknowledged.

- (3) The examiners found one violation of 14 VAC 5-400-50 A. The company failed to acknowledge a claim within ten working days of notification of the claim.

Acknowledged.

- (4) 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 pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

Acknowledged. In regards to both this finding, and the finding mentioned in (3) above, the Company will continue to emphasize with its Associates the importance of timely response to all consumer contacts.

- (5) The examiners found six 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.

Acknowledged. The Company will continue to have its Associates focus on providing all consumers with a clear, reasonable, and complete written explanation in any claim where coverage may not

be available in full or part. Additionally, our internal requirements, as outlined in the Company's Claim Manual, regarding inclusion of that documentation in each claim file will be emphasized with our Associates.

- (6) The examiners found six 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.

Acknowledged. The Company will continue to emphasize with its Associates the requirement to provide a clear and reasonable written explanation for consumers in any claim where coverage may not be available.

- (7) The examiners found four 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.

Acknowledged.

- (8) The examiners found one violation 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.

Acknowledged.

- (9) The examiners found nine 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 policies.

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

Acknowledged. The Company agrees that there were instances where its investigation of a claim could have taken place in a more timely fashion.

- (10) The examiners found one violation 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.

Acknowledged.

- (11) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than he/she was entitled to receive under the terms of his/her policy.

Acknowledged.

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 this threshold indicates a general business practice. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Jefferson Insurance Company shall:

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

Please see the Company's attached Corrective Action Plan (CAP).

Claims Review

Jefferson 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) Adopt and implement standards for prompt investigation of claims.

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:

- The Company should review § 52-40 of the Code of Virginia for the precise language required in the fraud notice.
- 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 thanks the Bureau for its recommendations and will incorporate a refresher into its ongoing training regarding written claim denials. Further, the Company has reviewed and is updating its fraud notice in accordance with § 52-40 of the Code of Virginia.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

ACKNOWLEDGEMENT

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

Sincerely,

William T. Felvey, CPCU, AR
Senior Insurance Market Analyst

CORRECTIVE ACTION PLAN

for the

***MARKET CONDUCT EXAMINATION
REPORT***

of

JEFFERSON INSURANCE COMPANY

Claims Review

Jefferson Insurance Company shall:

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

Please refer to the attachment "Claims Underpayments Cited".

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Please refer to the attachment "Claims Underpayments Cited".

- (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.

Please see the included file "Claims Underpayments Cited".

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

A training class reinforcing the requirement for proper claim documentation was conducted for all Associates processing claims. This class specifically addressed the requirements of 14 VAC 5-400-30, 14 VAC 5-400-40, 14 VAC 5-400-50, 14 VAC 5-400-70, and Va. Code § 38.2-510. The class focused on the events and dates pertinent to claim processing. The class was completed as of 12/31/2015.

- (5) Adopt and implement standards for prompt investigation of claims.

A training class was also conducted to address the requirement to promptly address claims. The class addressed the requirements of Va. Code § 38.2-510 A 3 and was completed as of 12/31/2015.

COMMONWEALTH OF VIRGINIA

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



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RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

January 20, 2016

VIA UPS 2nd DAY DELIVERY

Jack Zemp
Deputy General Counsel
Allianz Global
9950 Mayland Drive,
Richmond, Virginia 23233

RE: Market Conduct Examination
Jefferson Insurance Company NAIC # 11630
Examination Period: 7/1/2013 – 6/30/2014

Dear Mr. Zemp:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of January 15, 2016. Based upon the Bureau's review of the company's letter, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Jefferson Insurance Company (Report).

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

Section 38.2-510 A 3 of the Code of Virginia, and 14 VAC 5-400-30 of the Virginia Administrative Code.

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

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

Sincerely,

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

Jefferson

STATE CORP COMMISSION
BUREAU OF INSURANCE

Insurance Company

FEB -8 AM 9:58

Administrative Offices
PO Box 71134
Richmond, VA 23255
Phone: 800.497.4602
Fax: 804.281.6727

February 1, 2016

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

RE: Jefferson Insurance Company
Market Conduct Examination Settlement Offer

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated January 27, 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 § 38.2-510 A 3 of the Code of Virginia and 14 VAC 5-400-30 of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$2,000.00.
2. We agree to comply with the corrective action plan set forth in the company's letter of January 15, 2016.
3. We confirm that restitution was made to 4 consumers for \$6,227.50 in accordance with the company's letter of January 15, 2016.
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,

Jefferson Insurance Company



(Signed)

Frederick M. Faett

(Type or Print Name)

Secretary & General Counsel

(Title)

February 1, 2016

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, FEBRUARY 22, 2016

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2016 FEB 22 P 12: 01

160240126

COMMONWEALTH OF VIRGINIA, *ex rel.*
STATE CORPORATION COMMISSION

v.

CASE NO. INS-2016-00027

JEFFERSON INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Jefferson Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated § 38.2-510 A (3) of the Code of Virginia ("Code"), as well as 14 VAC 5-400-30 of the Commission's Rules Governing 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 Virginia the sum of Two Thousand Dollars (\$2,000), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its correspondence to the Bureau dated January 15, 2016, and confirmed that

restitution was made to 4 consumers in the amount of Six Thousand Two Hundred Twenty-seven Dollars and Fifty Cents (\$6,227.50).

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.

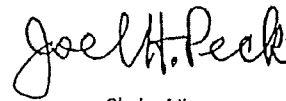
NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

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: Frederick M. Faett, Secretary and General Counsel, Jefferson Insurance Company, 9950 Mayland Drive, Richmond, Virginia 23233; 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.

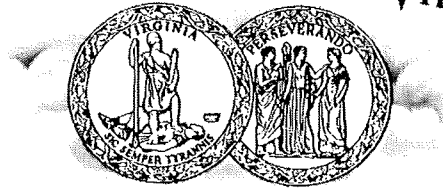
A True Copy
Teste:



Clerk of the
State Corporation Commission

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
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Jefferson Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$2,000.00 by its check numbered 00057332 and dated February 3, 2016, a copy of which is located in the Bureau's files.