

MARKET CONDUCT EXAMINATION REPORT

OF

THE GENERAL AUTOMOBILE INSURANCE COMPANY

AS OF

June 30, 2017

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

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA

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BUREAU OF INSURANCE

I, Karen S. Gerber, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of The General Automobile Insurance Company, Inc. as of June 30, 2017, conducted at the company's office in Nashville, Tennessee 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-2018-00187, 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 15th of August, 2018.

Karen S. Gerber
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile line of business written by The General Automobile Insurance Company at its office in Nashville, Tennessee.

The examination commenced September 18, 2017 and concluded February 21, 2018. Brandon Ayers, Eric Ellerbe, William T. Felvey, Karen S. Gerber and Latitia L. Orange, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on April 27, 2017 and was assigned the examination number of VA-VA097-1. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners Market Regulation Handbook.

COMPANY PROFILE*

The General Automobile Insurance Company, Inc. was incorporated under the laws of Ohio on January 22, 2009 and commenced business on January 28, 2010. The company was originally capitalized with \$10,000,000 from a redistribution of capital from Permanent General Assurance Corporation (PGAC) and Permanent General Assurance Corporation of Ohio (PGACOH). In March 2010, PGACOH acquired 3000 additional shares of the company's common stock which resulted in an increase in capital stock from \$1,000,000 to \$2,500,000 and a corresponding offset from the paid-in and contributed surplus account. In August 2016, PGACOH acquired 1,000 additional shares of the company's common stock which resulted in an increase in capital stock from \$2,500,000 to \$3,000,000 and a corresponding offset from paid-in and contributed surplus account.

* Source: Best's Insurance Reports, Property & Casualty, 2017 Edition.

The company has 20,000 shares of \$500 par value common stock authorized of which 6,000 shares are issued and outstanding.

Administration of the company's affairs is directed by John A. Hollar, President and Chief Operating Officer.

A management agreement is in place with Permanent General Companies, Inc. The later provides underwriting, policy issuance and record keeping, data processing, accounting and legal services for fees including reimbursement of direct expenses plus administrative costs. The fees are based on Permanent General Assurance Corporation of Ohio's share of the transactions handled by Permanent General Companies, Inc. The contract remains in effect until canceled by either party upon 30 days advance written notice.

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 date the company was licensed except as noted in the table.

NAIC Company Number	13703
LICENSED IN VIRGINIA	12/19/2014
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	
Burglary and Theft	
Commercial Multi-Peril	
Credit	
Farmowners Multi-Peril	
Fidelity	
Fire	
General Liability	
Glass	
Homeowner Multi-Peril	
Inland Marine	
Miscellaneous Property	
Ocean Marine	
Surety	
Water Damage	
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2017 for those line of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
The General Automobile Ins. Co.		
Private Auto Liability	\$16,523,756	.58%
Private Auto Physical Damage	\$7,214,127	.32%

* Source: The 2017 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 private passenger line of business written in Virginia for the period beginning January 1, 2017 and ending June 30, 2017. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest.

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 the violations of Virginia insurance laws that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued in Virginia. The "Other Law Violations" portion of Part One notes violations of other related laws that apply to insurers.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the company's practices that require some action by the company. This section also summarizes the violations for which the company was cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

* Policies reviewed under this category reflected the companies' current practices and, therefore, fell outside of the exam period.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the company. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population
Sample Requested**

AREA	TGAIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
Private Passenger Auto						
New Business	<u>10,967</u> 25	<u>10,967</u> 25	25	0	25	100%
Renewal Business	<u>4,396</u> 25	<u>4,396</u> 25	25	0	25	100%
Co-Initiated Cancellations ¹	<u>1,304</u> 20	<u>1,304</u> 20	12	0	4	33%
All Other Cancellation ²	<u>39,756</u> 25	<u>39,756</u> 25	29	0	14	48%
Nonrenewals	<u>226</u> 5	<u>226</u> 5	5	0	4	80%
Rejected Applications	<u>5</u> 5	<u>5</u> 5	5	0	5	100%
Claims						
Auto ³	<u>3,933</u> 100	<u>3,933</u> 100	98	0	64	65%
Footnote ¹ -Five policies moved to Insd Req. Two cancel-rewrites not reviewed. One Non-Pay not reviewed -						
Footnote ² - One Non-Pay out of audit period. Five policies moved from Over 60 to Insd Req.						
Footnote ³ - One claim NY PIP. One claim Tennessee policy.						

PART ONE - THE EXAMINERS' OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The examiners reviewed 25 new business policy files. As a result of this review, the examiners found overcharges totaling \$114.00 and undercharges totaling \$196.00. The net amount that should be refunded to insureds is \$114.00 plus six percent (6%) simple interest.

- (1) The examiners found 25 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy. The company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an Adverse Underwriting Decision (AUD).
- (3) The examiners found seven violations of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring points.
- (4) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to use the correct driver classification factor.

Automobile Renewal Business Policies

The examiners reviewed 25 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$1,355.00 and undercharges totaling \$352.00. The net amount that should be refunded to insureds is \$1,355.00 plus six percent (6%) simple interest.

- (1) The examiners found 24 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy. The company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company listed discounts on the declarations page that did not apply to the policy.
- (3) The examiners found seven violations of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring points.
- (4) The examiners found 13 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In seven instances, the company failed to use the correct driver classification factor.

TERMINATION REVIEW

The examiners requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes,

regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed ten automobile cancellations that were initiated by the company where the notice was mailed prior to the 60th day of coverage in the initial policy period. As a result of this review, the examiners found overcharges totaling \$134.30 and no undercharges. The net amount that should be refunded to insureds is \$134.30 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (2) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the lienholder.
- (3) The examiners found one occurrence where the company failed to comply with the provisions of the policy. The company failed to provide adequate days- notice to the lienholder.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The examiners reviewed two automobile cancellations that were initiated by the company where the notice was mailed on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found two violations of § 38.2-2212 E of the Code of Virginia. The company failed to provide written notice of cancellation to the insured.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed 19 automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and undercharges totaling \$49.83.

- (1) The examiners found two violations of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide the complete policy file.
- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (3) The examiners found five violations of § 38.2-2208 B of the Code of Virginia.
 - a. In one instance, the company failed to provide proper notice of cancellation to the lienholder.
 - b. In four instances, the company failed to obtain valid proof of mailing the notice of cancellation to the lienholder.
- (4) The examiners found two occurrences where the company failed to comply with the provisions of the policy. The company failed to provide the required number of days' notice to the lienholder

REQUESTED BY THE INSURED

The examiners reviewed ten automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$116.22 and undercharges totaling \$145.31. The net amount that should be refunded to insureds is \$116.22 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. the company failed to use the rules and/or rates on file with the Bureau. The company

failed to calculate the earned premium correctly.

- (2) The examiners found four violations of § 38.2-2212 F of the Code of Virginia. The company failed to obtain a written request from the insured to cancel his policy.

Company-Initiated Non-renewals – Automobile Policies

The examiners reviewed five automobile non-renewals that were initiated by the company.

- (1) The examiners found five violations of § 38.2-2208 B of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of nonrenewal to the lienholder.
- (2) The examiners found two violations of § 38.2-2212 E of the Code of Virginia. The company failed to mail the notice of nonrenewal to the insured at least 45 days prior to the effective date of cancellation.
- (3) The examiners found three occurrences where the company failed to comply with the provisions of the policy. The company failed to send the notice of cancellation to the lienholder.

REJECTED APPLICATIONS

The examiners found five violations of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide the rejected application file information.

CLAIMS REVIEW**Private Passenger Automobile Claims**

The examiners reviewed 98 automobile claims for the period of January 1, 2017 through June 30, 2017. 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 \$12.00 and underpayments totaling \$11,270.78. The net amount that should be paid to claimants is \$11,258.78 plus six percent (6%) simple interest.

- (1) The examiners found 11 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 22 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.
 - a. In one instance, the company failed to inform an insured of his physical damage deductible when the file indicated that the coverage was applicable to the loss.
 - b. In one instance, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
 - c. In seven instances, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage

was applicable to the loss.

- d. In 13 instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage applied to the loss.

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

- (3) The examiners found four 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.
- (4) The examiners found four 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.
- (5) The examiners found 20 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
 - a. In five instances, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
 - b. In seven instances, the company failed to pay the insured's rental benefits, available under the UMPD coverage and/or UIM coverage.
 - c. In two instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.

- d. In six instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.

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

- (6) The examiners found 15 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

- a. In 13 instances, the company failed to provide a copy of the estimate to the insured.

- b. In two instances, the company failed to provide a copy of the estimate to the claimant.

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

- (7) The examiners found one violation of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or depreciation in the claim file.

- (8) The examiners found two violations of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five days when the company issued a settlement payment of \$5,000.00 or greater to the claimant's attorney or other representative.

- (9) The examiners found one violation of § 38.2-236 B of the Code of Virginia. The company failed to provide a Notice of Settlement Payment to the claimant that complied with the language required by the statute.

- (10) The examiners found 12 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to

the coverage at issue.

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

- (11) The examiners found eight violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

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

- (12) The examiners found four violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

- (13) The examiners found 41 violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage under which payment was made.

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

- (14) The examiners found three violations of § 38.2-510 A14. The company failed to provide a reasonable explanation of the basis for a denial of a claim or a compromised settlement for a claimant.

- (15) The examiners found one violation of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.

- (16) The examiners found eight occurrences where the company failed to comply with the provisions of the insurance policy.

- a. In one instance, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
- b. In seven instances, the company issued payments under the incorrect coverage.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the fraud statement on claim forms required by the company as a condition of payment.

REVIEW OF FORMS

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the company. In addition, the Bureau requested copies of new and renewal business policy mailings that the company was processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 14 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used an unapproved version of the rate classification statement.
- (2) The examiners found two violations of § 38.2-2220 of the Code of Virginia. The company did not have mandatory standard forms available for use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the company's policy issuance process for the line examined, the examiners requested new and renewal business policy mailings that were sent after the company received the Examination Data Call. The company was instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the company enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The company provided five new business policies mailed on July 17, 2017 and July 19, 2017. In addition, the company provided five renewal business policies mailed on July 19, 2017.

NEW BUSINESS POLICIES

- (1) The examiners found five violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute. The company listed forms on the declarations page that were not applicable to the policy.
- (2) The examiners found one violation of § 38.2-305 B of the Code of Virginia. The company failed to provide the “Important Information Regarding Your Insurance” notice.

RENEWAL BUSINESS POLICIES

The examiners found three violations of § 38.2-305 A of the Code of Virginia. The company failed to specify accurate information in the policy as required by the statute. The company listed forms on the declarations page that were not applicable to the policy.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company’s statutory notices used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the company’s compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the company. For the notices currently used, the Bureau used the same new and renewal business policy

mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the company on all applications, and on all policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the company but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

- (1) The examiners found one violation of § 38.2-604 B of the Code of Virginia. The company's Notice of Information Collection and Disclosure Practices did not include all of the information required by this statute.
- (2) The examiners found one violation of § 38.2-604.1 of the Code of Virginia. The company failed to have available for use a Privacy Notice as required by the statute.
- (3) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-517 A of the Code of Virginia. The company failed to have a Glass Script available that disclosed the use of a Third-Party Vendor.
- (2) The examiners found one violation of 38.2-2202 A of the Code of Virginia. The company failed to have the Medical Expense Benefits notice available for use.
- (3) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The rejection of higher uninsured motorist limits notice was not in the precise language

as required by the statute.

- (4) The examiners found one violation of § 38.2-2230 of the Code of Virginia. The company's rental reimbursement notice did not comply with the requirements of the statute.

Other Notices

The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company included information on its application that misrepresented the calculation of return premium.

LICENSING AND APPOINTMENT REVIEW

A review was made of the private passenger automobile new business policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the company as required by the statute. In addition, the agent or agency to which the company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found two violations of § 38.2-1822 A of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in Virginia.

Agency

- (1) The examiners found two violations of § 38.2-1812 E of the Code of Virginia. The company paid commissions to a trade name that was not filed with the Bureau of Insurance.
- (2) The examiners found one violation of § 38.2-1822 A of the Code of Virginia. The company permitted a person to act in the capacity of an agency that was not

licensed in Virginia.

- (3) The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agency within 30 days of the date of the application.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the company's complaint handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The company provided its written Information Security Procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

The General Automobile Insurance Co. shall:

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

Rating and Underwriting Review

The General Automobile Insurance Co. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Properly represent the benefits, coverages, advantages, and conditions of the policy by listing forms and discounts applicable to the policy on the declarations page.

- (5) Properly assign points to the vehicle customarily driven by the operator incurring the points.
- (6) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, points for accidents and convictions, and driver classification factors.

Termination Review

The General Automobile Insurance Co. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Provide convenient access to files, documents and records relating to the examination.
- (5) Calculate return premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing the cancellation notice to the lienholder.
- (7) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage.
- (8) Obtain a written request when the insured requests cancellation of the policy.

Claims Review

The General Automobile Insurance Co. 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 companies acknowledge that they have paid the underpayments listed in the file.
- (4) Document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, and Medical Expense coverage.
- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.
- (7) Provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.
- (8) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (9) Adopt and implement reasonable standards for the prompt investigation of claims.
- (10) Include a correct statement of coverage under which payments are made with all claim payments made to insureds.

- (11) Based on the Bureau's examination of the company's Uninsured Motorist claims, the company should conduct an internal audit of the Uninsured Motorist claims where the deductible was applied incorrectly when the at-fault party was identified. The company should then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. The spreadsheet should be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

Forms Review

The General Automobile Insurance Co. shall:

- (1) Use the rate classification statement filed and approved by the Bureau.
- (2) Use the required standard auto forms adopted by the Bureau.

Review of Policy Issuance Process

The General Automobile Insurance Co. shall:

Properly represent the benefits, coverages, advantages, and conditions of the policy by listing forms and discounts applicable to the policy on the declarations page.

Review of Statutory Notices

The General Automobile Insurance Co. shall:

- (1) Amend the company's application to accurately state the calculation of return premium.
- (2) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (3) Develop a Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.

- (4) Amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.
- (5) Amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia.
- (6) Amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (7) Amend the Notice of Optional Uninsured Motorist Coverage to comply with § 38.2-2202 B of the Code of Virginia.
- (8) Amend the rental reimbursement notice to comply with § 38.2-2230 of the Code of Virginia.

Licensing and Appointment Review

The General Automobile Insurance Co. shall:

- (1) Pay commissions only to a trade name when it is filed with the Bureau of Insurance.
- (2) Pay commissions only to agents and agencies that are appointed by the company within 30 days of the application.
- (3) Accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.

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:

Termination

- Properly code terminations in the correct category.
- Maintain accurate IMB tracking records to include all digits in the tracking number.

Claims

- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten days.
- Make claim denials in writing and keep a copy of the written denial in the file.
- Notify the claimant within five business days when a settlement check \$5000.00 or greater is sent to the claimant's attorney or representative.
- Make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.
- Make claim payments under the correct coverage.
- Provide a reasonable explanation of the basis for a denial of a claim or a compromised settlement to claimants.
- Include the fraud statement on all claim forms required by the company as a condition of payment.
- Reference the appropriate company name of The General Automobile Insurance Company and remove any reference to Permanent General Insurance Company in all company communications.
- Amend the declarations page to show the transportation expenses

coverage limit versus a per day limit.

Forms

- Correct the spelling errors on the Personal Auto Policy form PP 00 01 01 05.

Notices

- Remove the Right to Review language in its CNVG18 notice when the notice is mailed on cancellations within the first 60 days of coverage.

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,

A handwritten signature in cursive script that reads "Karen S Gerber".

Karen S. Gerber
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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March 1, 2018

VIA UPS 2nd DAY DELIVERY

Nichole Brockman
Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville, TN 37214

RE: Market Conduct Examination
The General Automobile Insurance Company (NAIC# 13703)
Exam Period: January 1, 2017 - June 30, 2017

Dear Ms. Brockman:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of January 1, 2017 through June 30, 2017. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since February 20, 2018. Also enclosed are several technical 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. 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. When the company responds, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The company should use exhibits or appendices to reference any of this information. In addition, please use the same format (headings and numbering) as found in the Report. If the company fails to respond in the format of the Report 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.

Secondly, the company must provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the company has comments it wishes to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

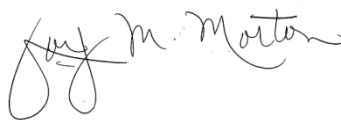
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by April 6, 2018.

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 April 6, 2018.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" and last name "Morton" clearly legible.

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



April 12, 2018

Joy M. Morton, Manager
Market Conduct Section-P&C Division
Virginia Bureau of Insurance
P. O. Box 1157
Richmond, Virginia 23218
joy.morton@scc.virginia.gov
(614) 752-0750

**RE: The General Automobile Insurance Company/ NAIC #13703
Market Conduct Examination Draft Report**

Dear Ms. Morton,

The company is in receipt of the March 1st, 2018 letter as well as preliminary market conduct report and offers the below response. Also, separately, please find attached exhibits in support of these responses. As requested, the comments will appear in the same order as the report. Items for which the company does not comment should be considered the company agrees with the finding.

Thank you for your review and assistance throughout this exam process. The company strives to maintain full compliance with all statutes and regulations. The company appreciates your review and will act quickly to implement the full corrective action plan as outlined. Should you have any questions regarding our response or require further clarification, please do not hesitate to contact me.

Sincerely,

Nicole Brockman

Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville TN 37214
www.thegeneral.com
Direct #: 615-744-1305
nbrockman@thegeneral.com

PART ONE- THE EXAMINERS' OBSERVATIONS

Termination Review

Company-Initiated Cancellations – Automobile Policies

Notice Mailed Prior to the 60th Day of Coverage

Issue (2) -The company failed to obtain proof of mailing the cancellation notice to the insured.

Response: The company respectfully requests consideration of the attached **exhibit #1** as support of compliance in this area affecting the following reference nos. and review sheets.

response #	Review Sheet
TPA005	TermFst60PPA-1936389432
TPA009	TermNRPPA197117963
TPA001	TermFst60PPA377527429
TPA008	TermFst60PPA776758207
TPA010	TermFst60PPA787438747
TPA003	TermFst60PPA-991921983
TPA002	TermFst60PPA-1238026325
TPA007	TermFstSOPPA-1304073607
TPA005	TermFst60PPA1482997437
TPA004	TermFst60PPA1590915769
TPA006	TermFst60PPA1764872867

Notice Mailed After the 59th Day of Coverage

Issue-The examiners found two violations of § 38.2-2212 E of the Code of Virginia. The company failed to provide written notice of cancellation to the insured.

Response: The company respectfully requests consideration of the attached **exhibit #2** as support of compliance in this area affecting the following reference nos. and review sheets.

Response #	Review Sheet
TPA016	TermOvr60PPA-745331726
TPA017	TermOvr60PPA-577114573

All Other Cancellations – Automobile Policies

Nonpayment of the Premium

Issue (3)-The examiners found 17 violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured

Response: The company respectfully requests consideration of the attached **exhibit #3** as support of compliance in this area affecting the following reference nos. and review sheets.

Response #	Review Sheet
TPA031	TermNPPPA248670057
TPA033	TermNPPPA1336963971
TPA034	TermNPPPA1541607638
TPA035	TermNPPPA1661342253
TPA036	TermNPPPA1523530440
TPA037	TermNPPPA1608839705
TPA038	TermNPPPA797477226
TPA039	TermNPPPA979667663
TPA040	TermNPPPA137497068
TPA042	TermNPPPA359332034
TPA043	TermNPPPA1552077941
TPA044	TermNPPPA300845600
TPA045	TermNPPPA601563793
TPA047	TermNPPPA1815917561
TPA048	TermNPPPA371408148
TPA049	TermNPPPA1742333293
TPA050	TermNPPPA1760517466

Issue (4)-The examiners found five violations of § 38.2-2208 B of the Code of Virginia.

a. In one instance, the company failed to provide proper notice of cancellation to the lienholder.

b. In four instances, the company failed to obtain valid proof of mailing the notice of cancellation to the lienholder.

Response: The company respectfully requests consideration of the attached **exhibit #4** as support of compliance in this area affecting the following reference nos. and review sheets.

response #	Review Sheet
TPA044	TermNPPPA300845600
TPA033	TermNPPPA1336963971
TPA040	TermNPPPA137497068
TPA042	TermNPPPA359332034
TPA049	TermNPPPA1742333293

Requested by the Insured

Issue (2)-The examiners found eight violations of § 38.2-2212 F of the Code of Virginia. The company failed to obtain a written request from the insured to cancel his policy.

Response: The company respectfully requests consideration of the attached call recordings or additional documentation (**exhibit #5**) as support of compliance in this area affecting the following reference nos. and review sheets. These were either insured requested cancellations via telephone or requested as the insured had moved out of state and must obtain a new policy for that garaging state.

response #	Review Sheet
TPA011	TermIRPPA - 689482108
TPA012	TermIRPPA - 345536069
TPA014	TermIRPPA - 104001338
TPS015	TermIRPPA - 1015027563
TPA18	TermIRPPA - 522724008
TPA021	TermIRPPA-342471217
TPA023	TermIRPPA-123059515
TPA025	TermIRPPA-1193886489

Company-Initiated Non-renewals – Automobile Policies

Issue (1)-The examiners found five violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of nonrenewal to the insured.

Response: The company respectfully requests consideration of the attached **exhibit #6** as support of compliance in this area affecting the following reference nos. and review sheets.

Rejected Applications

Issue: The examiners found five violations of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to files, documents, and records relating to the examination. The company failed to provide the rejected application file information

Response: The company respectfully requests consideration of the following reference nos. and review sheets as there was a misunderstanding from the original data request for this item. The files included were quotes that were not offered a rate or allowed to bind as our applications are electronically underwritten at the point of sale while the quote is being obtained. Therefore, there were no policies that otherwise met this criteria.

response #	Review Sheet
tpa052	TermA-251790786
tpa055	TermRAPP-657353329

tpa053	TermRAPP-21327308
tpa051	TermRAPP-1506003944
tpa054	TermRAPP-1979171462

Part Two – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

The General Automobile Insurance Co. shall:

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

Rating and Underwriting Review

The General Automobile Insurance Co. Response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected. The credits have been applied and/or the refunds have been sent to the overcharged insureds.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled: "Rating Overcharges Cited during the Examination".
- (4) The company will install system changes to properly represent the benefits, coverages, advantages, and conditions of the policy by listing forms and discounts applicable to the policy on the declarations page.

- (5) The company will make system changes to properly assign points to the vehicle customarily driven by the operator incurring the points.
- (6) The company will use the rules and rates on file with the Bureau. Particular attention will be given to the use of filed discounts, surcharges, points for accidents and convictions, and driver classification factors. A formal audit process will also be implemented to assure this process is maintained.

Termination Review

The General Automobile Insurance Co. response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected. The credits have been applied and/or the refunds have been sent to the overcharged insureds.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled "Termination Overcharges Cited During the Examination".
- (4) The company will provide convenient access to files, documents and records relating to the examination.
- (5) The company will make system changed to calculate return premium according to the filed rules and policy provisions.
- (6) The company will obtain and retain valid proof of mailing the cancellation notice to the insured and lienholder by making changed to the intelligent mail bar code process.
- (7) The company will make system changes to send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage.
- (8) The company will obtain a written request when the insured requests cancellation

of the policy.

Claims Review

The General Automobile Insurance Co. response:

- (1) The company is correcting the errors that caused the underpayments and overpayments, and has sent the amount of the underpayment to insureds and claimants.
- (2) The company included six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) The company has completed and submitted to the Bureau the enclosed file titled "Claims Underpayments Cited During the Examination".
- (4) The company will document claim files so that all events and dates pertinent to the claim can be reconstructed.*
- (5) The company will document the claim file that all applicable coverages have been discussed with the insured. Particular attention will be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, and Medical Expense coverage.*
- (6) The company will offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.*
- (7) The company will provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.*
- (8) The company will properly represent pertinent facts or insurance provisions relating to coverages at issue.*
- (9) The company will adopt and implement reasonable standards for the prompt investigation of claims.*

- (10) System changes have already been installed to include a correct statement of coverage under which payments are made with all claim payments made to insureds.
- (11) The company will perform an internal audit of the Uninsured Motorist claims where the deductible was applied incorrectly when the at-fault party was identified. The company will then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. The spreadsheet will be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

*In response to the above items marked with an asterisk, it is the company's general business practice to perform each of these duties. Our corrective action for these violations will include refresher training to the claims organization reminding them of each of these processes. In addition, our ongoing quality checks will audit for compliance.

Forms Review

The General Automobile Insurance Co. response:

- (1) The company will use the rate classification statement filed and approved by the Bureau.
- (2) The company will use the required standard auto forms adopted by the Bureau.

Review of Policy Issuance Process

The General Automobile Insurance Co. response:

The company will implement system changes to assure the benefits, coverages, advantages, and conditions of the policy are represented by listing forms and discounts applicable to the policy on the declarations page.

Review of Statutory Notices

The General Automobile Insurance Co. response:

- (1) The company will amend the company's application to accurately state the calculation of return premium.
- (2) The company will amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (3) The company will develop a Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia.
- (4) The company will amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.
- (5) The company will amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia.
- (6) The company will amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia.
- (7) The company will amend the Notice of Optional Uninsured Motorist Coverage to comply with § 38.2-2202 B of the Code of Virginia.
- (8) The company will amend the rental reimbursement notice to comply with § 38.2-2230 of the Code of Virginia.

[Licensing and Appointment Review](#)

The General Automobile Insurance Co. response:

- (1) The company will pay commissions only to a trade name when it is filed with the Bureau of Insurance.
- (2) The company will pay commissions only to agents and agencies that are appointed by the company within 30 days of the application.
- (3) The company will accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.

To assure compliance in this area is maintained, the company has centralized a new licensing team. This team has been provided training in the legal requirements for all

licensing and appointment activities.

Part three – recommendations

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies 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

The company will take the following actions as recommended:

Termination

- The company will properly code terminations in the correct category.
- The company will make system changes to maintain accurate IMB tracking records to include all digits in the tracking number.

Claims

- The company will acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten days.
- The company will make claim denials in writing and keep a copy of the written denial in the file.
- The company will notify the claimant within five business days when a settlement check of \$5000.00 or greater is sent to the claimant's attorney or representative.
- The company will make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.
- The company will Make claim payments under the correct coverage.
- The company will provide a reasonable explanation of the basis for a denial of a claim or a compromised settlement to claimants.
- The company will Include the fraud statement on all claim forms required by the company as a condition of payment.
- The company will reference the appropriate company name of The General Automobile Insurance Company.
- The company will amend the declarations page to show the transportation expenses coverage limit versus a per day limit.

Forms

- The company will correct the spelling errors on the Personal Auto Policy form PP 00 01 01 05.

Notices

- The company will remove the Right to Review language in its CNVG18 notice when the notice is mailed on cancellations within the first 60 days of coverage.

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

May 8, 2018

VIA UPS 2nd DAY DELIVERY

Nichole Brockman
Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville, TN 37214

RE: **Market Conduct Examination**
The General Automobile Insurance Company (NAIC# 13703)
Exam Period: January 1, 2017 - June 30, 2017

Dear Ms. Brockman:

The Bureau of Insurance (Bureau) has reviewed the company's (Company) April 23, 2018, response to the Preliminary Market Conduct Report (Report) of the above referenced 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-EXAMINERS OBSERVATIONS

Terminations

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

- (2) Based upon additional information provided by the Company the ten violations of § 38.2-2208 A for review items TPA001 through TPA010 have been withdrawn from the Report.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The violations for TPA016 and TPA017 remain in the Report. The documents provided for TPA016 do not pertain to the policy under review. The notice provided for TPA017 does not indicate the effective date of cancellation.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

- (3) Based upon additional information provided by the Company the 17 violations of § 38.2-2208 A for review items TPA031, TPA033 through TPA040 and TPA042 through TPA045 and TPA047 through TPA050 have been withdrawn from the Report.
- (4) The violations for TPA033, TPA040, TPA042, TPA044 and TPA049 all remain in the Report. The review sheet numbers referenced for these files were not applicable to lienholder proof of mailing.

REQUESTED BY THE INSURED

- (2) Based upon the electronic voice signatures provided by the Company the violations of § 38.2-2212 F of the Code of Virginia have been withdrawn for review items TPA011, TPA021, TPA023 and TPA025.

The violations for review items TPA012, TPA014, TPA015 and TPA018 remain in the Report. The policy requires a written request for insured requested cancellations and the Company has failed to provide the necessary documentation for these items to be withdrawn.

Company-Initiated Non-renewals – Automobile Policies

- (1) Based upon additional information provided by the Company the five violations of § 38.2-2208 A for review items TPA026 through TPA030 have been withdrawn from the Report.

REJECTED APPLICATIONS

The five violations for rejected applications remain in the Report. If coverage is denied the Company must give the insured an Adverse Underwriting Decision Notice (§ 38.2-610 A of the Code of Virginia). Further, If the Company accesses any of the applicant's personal information the Company must provide the Insurance Information Practices Notices (§38.2-604 of the Code of Virginia). The Company gave us information in their population totals for applications that were not bound and policy information but did not provide the notices required for these rejected applications.

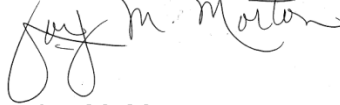
Part Two – CORRECTIVE ACTION PLAN

The Company has indicated in its Corrective Action Plan (CAP) several actions the Company will amend, implement, program, or train employees on to satisfy the CAP, the response must be amended to include the dates the Company anticipates these changes will be implemented.

Ms. Brockman
May 8, 2018

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by May 24, 2018.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first and last names being more prominent than the middle initial.

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

Enclosures



May 29, 2018

Joy M. Morton, Manager
Market Conduct Section-P&C Division
Virginia Bureau of Insurance
P. O. Box 1157
Richmond, Virginia 23218
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(614) 752-0750

**RE: The General Automobile Insurance Company/ NAIC #13703
Market Conduct Examination Draft Report**

Dear Ms. Morton,

The company is in receipt of the May 8th, 2018 letter which included actions taken as a result of the company's initial response to the draft report. Thank you for your review and re-consideration. The company accepts the final determinations as detailed in your revised response and offers no additional request for review. Additionally, the company offers the following revised corrective action plan for your consideration.

Thank you for your review and assistance throughout this exam process. The company strives to maintain full compliance with all statutes and regulations. The company appreciates your review and will act quickly to implement the full corrective action plan as outlined. Should you have any questions regarding our response or require further clarification, please do not hesitate to contact me.

Sincerely,

Nicole Brockman

Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville TN 37214
www.thegeneral.com
Direct #: 615-744-1305
nbrockman@thegeneral.com

Part Two – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

The General Automobile Insurance Co. shall:

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

Rating and Underwriting Review

The General Automobile Insurance Co. Response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected and will be elevated to production no later than 60 days from the final report. The credits have been applied and/or the refunds have been sent to the overcharged insureds as of April 23rd, 2018.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled: "Rating Overcharges Cited during the Examination".
- (4) The company will install system changes to properly represent the benefits, coverages, advantages, and conditions of the policy by listing forms and discounts applicable to the policy on the declarations page within 180 days from the final

report.

- (5) The company will make system changes to properly assign points to the vehicle customarily driven by the operator incurring the points no later than 60 days from the final report.
- (6) The company will use the rules and rates on file with the Bureau. Particular attention will be given to the use of filed discounts, surcharges, points for accidents and convictions, and driver classification factors. A formal audit process has been implemented as of May 15th, 2018 to assure this process is maintained.

Termination Review

The General Automobile Insurance Co. response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected and will be implemented no later than 60 days from the final report. The credits have been applied and/or the refunds have been sent to the overcharged insureds.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled "Termination Overcharges Cited During the Examination".
- (4) The company will provide convenient access to files, documents and records relating to the examination.
- (5) The company will make system changed to calculate return premium according to the filed rules and policy provisions within 90 days form the final report.
- (6) The company will obtain and retain valid proof of mailing the cancellation notice to the lienholder within 180 days from the final report.
- (7) The company will make system changes to send the cancellation notice at least 45 days before the effective date of cancellation when the notice on a private

- passenger automobile policy is mailed after the 59th day of coverage. This change will be implemented within 180 days of the final report.
- (8) The company will obtain a written request when the insured requests cancellation of the policy. This change will be implemented within 90 days of the final report.

Claims Review

The General Automobile Insurance Co. response:

- (1) The company is correcting the errors that caused the underpayments and overpayments, and has sent the amount of the underpayment to insureds and claimants.
- (2) The company included six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) The company has completed and submitted to the Bureau the enclosed file titled "Claims Underpayments Cited During the Examination".
- (4) The company will document claim files so that all events and dates pertinent to the claim can be reconstructed.*
- (5) The company will document the claim file that all applicable coverages have been discussed with the insured. Particular attention will be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, and Medical Expense coverage.*
- (6) The company will offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.*
- (7) The company will provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.*

- (8) The company will properly represent pertinent facts or insurance provisions relating to coverages at issue.*
- (9) The company will adopt and implement reasonable standards for the prompt investigation of claims.*
- (10) System changes have already been installed to include a correct statement of coverage under which payments are made with all claim payments made to insureds.
- (11) The company will perform an internal audit of the Uninsured Motorist claims where the deductible was applied incorrectly when the at-fault party was identified. The company will then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. The spreadsheet will be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments. This additional review will be complete and restitution made by June 30th, 2018.

*In response to the above items marked with an asterisk, it is the company's general business practice to perform each of these duties. Our corrective action for these violations will include refresher training to the claims organization reminding them of each of these processes. This training occurred throughout 4th quarter 2017. In addition, our ongoing quality checks will audit for compliance.

Forms Review

The General Automobile Insurance Co. response:

- (1) The company will use the rate classification statement filed and approved by the Bureau. The revised rate classification statement was implemented May 22nd, 2018.
- (2) The company will use the required standard auto forms adopted by the Bureau. The forms will be implemented within 60 days from the final report.

Review of Policy Issuance Process

The General Automobile Insurance Co. response:

The company will implement system changes to assure the benefits, coverages, advantages, and conditions of the policy are represented by listing forms and discounts applicable to the policy on the declarations page within 180 days from the final report.

Review of Statutory Notices

The General Automobile Insurance Co. response:

- (1) The company will amend the company's application to accurately state the calculation of return premium within 90 days from the final report.
- (2) The company will amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia within 90 days from the final report
- (3) The company will develop a Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia within 90 days from the final report.
- (4) The company will amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07 within 90 days from the final report.
- (5) The company will amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia within 180 days from the final report.
- (6) The company will amend the Medical Expense Benefits notice to comply with § 38.2-2202 A of the Code of Virginia within 90 days from the final report.
- (7) The company will amend the Notice of Optional Uninsured Motorist Coverage to comply with § 38.2-2202 B of the Code of Virginia within 90 days from the final report.

- (8) The company will amend the rental reimbursement notice to comply with § 38.2-2230 of the Code of Virginia within 90 days from the final report.

Licensing and Appointment Review

The General Automobile Insurance Co. response:

- (1) The company will pay commissions only to a trade name when it is filed with the Bureau of Insurance.
- (2) The company will pay commissions only to agents and agencies that are appointed by the company within 30 days of the application.
- (3) The company will accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.

To assure compliance in this area is maintained, the company has centralized a new licensing team. This team has been provided training in the legal requirements for all licensing and appointment activities as of October 2017. Weekly audits of all new business and subsequent commission payments have been ongoing since December 2017.

Part three – recommendations

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies 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

The company will take the following actions as recommended:

Termination

- The company will properly code terminations in the correct category.
- The company will make system changes to maintain accurate IMB tracking records to include all digits in the tracking number.

Claims

- The company will acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten days.
- The company will make claim denials in writing and keep a copy of the written denial in the file.
- The company will notify the claimant within five business days when a settlement check of \$5000.00 or greater is sent to the claimant's attorney or representative.
- The company will make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.
- The company will Make claim payments under the correct coverage.
- The company will provide a reasonable explanation of the basis for a denial of a claim or a compromised settlement to claimants.
- The company will Include the fraud statement on all claim forms required by the company as a condition of payment.
- The company will reference the appropriate company name of The General Automobile Insurance Company.
- The company will amend the declarations page to show the transportation expenses coverage limit versus a per day limit.

Forms

- The company will correct the spelling errors on the Personal Auto Policy form PP

00 01 01 05.

Notices

- The company will remove the Right to Review language in its CNVG18 notice when the notice is mailed on cancellations within the first 60 days of coverage.

Brandon Ayers

From: Brockman, Nicole <NBrockman@thegeneral.com>
Sent: Monday, June 18, 2018 1:22 AM
To: Karen Gerber
Cc: Joy Morton
Subject: RE: The General - Corrective Action Plan
Attachments: The General Third Response to Draft Report.pdf

Hi Karen, I have revised the corrective action plan to reflect a target implementation date rather than referencing the final report. I feel this will reflect a better picture of the urgency the company has placed on attaining full compliance with the items noted in the draft report. We have met with all of the impacted departments and stressed the urgency of hitting these target implementation dates. Manual processes have been deployed where possible to close gaps until permanent solutions are in place. Please let me know if you have additional questions upon review of the attached updated CAP.

Nicole Brockman, Director of Corporate Compliance

The General® | Homesite Insurance
2636 Elm Hill Pike | Suite 510 | Nashville, TN 37214
w: 615-744-1305 | nbrockman@thegeneral.com | nbond-brockman@homesite.com

From: Karen Gerber [mailto:Karen.Gerber@scc.virginia.gov]
Sent: Friday, June 01, 2018 9:28 AM
To: Brockman, Nicole <NBrockman@thegeneral.com>
Cc: Joy Morton <Joy.Morton@scc.virginia.gov>
Subject: The General - Corrective Action Plan

Good morning, Nicole. We reviewed the company's response of 5/29/2018. The company's Corrective Action Plan is not acceptable in the following areas for the following reasons:

Rating:

(4) It is the Bureau's expectation that the company has made remedial efforts, at the very least, to provide accurate information until such time as system changes can be implemented. The Bureau cannot accept what appears to be the company's intention to continue to provide misinformation until some unspecified time in 2019.

(5) The company cannot continue to overcharge consumers when the company had knowledge of the system issues as early as 9/12/2017. A proposed system resolution months in advance of today's date results in continued overcharges without regard to the consumers.

Terminations:

(5) The company cannot continue to improperly calculate return premium and overcharge consumers until such time as the company decides to make future system changes. There must be an immediate solution, (however temporary it may be), that calculates return premium accurately and timely.

(6) Failing to obtain a valid Proof of Mailing until an unspecified date in 2018 is a clear ongoing violation of the Code of Virginia that is apparently acceptable to the company. We caution the company against this continued business practice and will review and reinstate any cancellation that fails to properly notify your insured according to the Code of Virginia.

(7) As with the above, we caution the company against this continued business practice and will review and reinstate any cancellation that fails to properly notify your insured according to the Code of Virginia.

(8) Please provide the Bureau with an explanation regarding the company's reasoning for the delay in contacting the Bureau's Rates and Forms Section with regard to a relatively simple form and rule filing.

Forms:

(2) The Virginia Standard Auto Forms have been in use in Virginia since 2005. Please advise the Bureau the reasoning for the company's planned implementation date of sometime in 2019.

Policy Issuance:

Please advise the Bureau if it is the intention of the company to continue to provide misinformation to new and renewal policyholders until sometime in 2019.

Notices:

(1) Please advise the Bureau if it is the company's intention to continue to misstate the calculation of return premium on the company's application until sometime in 2019.

(2,3,4,5,6,7,8) Please advise the Bureau of the company's inability to revise notices prior to sometime in 2019 that advise insureds of valuable information regarding their policy and their rights..

Please respond to Bureau by June 15, 2018.

Thank you.

Karen S. Gerber
Senior Insurance Market Examiner
Market Conduct Division
1300 E. Main St., Richmond, VA 23219
804-371-9143
karen.gerber@scc.virginia.gov

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Permanent General Assurance Corporation | Permanent General Assurance Corporation of Ohio | The General Automobile Insurance Company, Inc. | Old American County Mutual Fire Insurance Company | Home Office: 2636 Elm Hill Pike, Nashville, TN 37214



June 15, 2018

Joy M. Morton, Manager
Market Conduct Section-P&C Division
Virginia Bureau of Insurance
P. O. Box 1157
Richmond, Virginia 23218
joy.morton@scc.virginia.gov
(614) 752-0750

**RE: The General Automobile Insurance Company/ NAIC #13703
Market Conduct Examination Draft Report Response 3**

Dear Ms. Morton,

The company is in receipt of the June 1st, 2018 email which included additional questions regarding the company's corrective action plan (CAP) which was sent by the company on 05/29/18. The company has updated the CAP to include more detailed and up to date status of items which have been completed. For the remainder items, the company has removed reference to the final report completion and simply stated implementation targets. We have engaged our project management development and quality assurance teams to get more concrete dates and to escalate priority of these initiatives. Therefore, the company offers the following revised corrective action plan for your consideration. We feel as though these targets are reasonably attainable yet aggressive. Should you have any questions regarding our response or require further clarification, please do not hesitate to contact me.

Sincerely,

Nicole Brockman

Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville TN 37214
www.thegeneral.com
Direct #: 615-744-1305
nbrockman@thegeneral.com

Part Two – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

The General Automobile Insurance Co. shall:

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

Rating and Underwriting Review

The General Automobile Insurance Co. Response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected and will be elevated to production no later than 60 days from the final report. The credits have been applied and/or the refunds have been sent to the overcharged insureds as of April 23rd, 2018.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled: "Rating Overcharges Cited during the Examination".
- (4) The company will install system changes to properly represent the benefits, coverages, advantages, and conditions of the policy by listing forms and discounts applicable to the policy on the declarations page by 07/30/18.

- (5) The company will make system changes to properly assign points to the vehicle customarily driven by the operator incurring the points. This system change was implemented 05/22/18.
- (6) The company will use the rules and rates on file with the Bureau. Particular attention will be given to the use of filed discounts, surcharges, points for accidents and convictions, and driver classification factors. A formal audit process has been implemented as of May 15th, 2018 to assure this process is maintained.

Termination Review

The General Automobile Insurance Co. response:

- (1) The errors that caused the overcharges and undercharges are actively being corrected and will be implemented no later than 60 days from the final report. The credits have been applied and/or the refunds have been sent to the overcharged insureds.
- (2) The credits/refunds mentioned above in item (1), included six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) The company has completed and submitted the document titled "Termination Overcharges Cited During the Examination".
- (4) The company will provide convenient access to files, documents and records relating to the examination.
- (5) The company will make system changed to calculate return premium according to the filed rules and policy provisions by 08/30/18.
- (6) The company will obtain and retain valid proof of mailing the cancellation notice to the lienholder within by 08/30/18. However, the company has reached out to the vendor to establish a manual process to retail the proof of mailing until the system is corrected.
- (7) The company will make system changes to send the cancellation notice at least

- 45 days before the effective date of cancellation when the notice on a private passenger automobile policy is mailed after the 59th day of coverage. This change will be implemented by 08/30/18.
- (8) The company will obtain a written request when the insured requests cancellation of the policy. To better explain, the delay is not in filing or amending the notice but rather the system notes related to insured request cancellation. This will be handled manually until such time as the system changes are implemented not later than 08/30/18.

Claims Review

The General Automobile Insurance Co. response:

- (1) The company is correcting the errors that caused the underpayments and overpayments, and has sent the amount of the underpayment to insureds and claimants.
- (2) The company included six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) The company has completed and submitted to the Bureau the enclosed file titled "Claims Underpayments Cited During the Examination".
- (4) The company will document claim files so that all events and dates pertinent to the claim can be reconstructed.*
- (5) The company will document the claim file that all applicable coverages have been discussed with the insured. Particular attention will be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, and Medical Expense coverage.*
- (6) The company will offer the insured an amount that is fair and reasonable as shown

- by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.*
- (7) The company will provide copies of repair estimates prepared by or on behalf of the company to insureds and claimants.*
 - (8) The company will properly represent pertinent facts or insurance provisions relating to coverages at issue.*
 - (9) The company will adopt and implement reasonable standards for the prompt investigation of claims.*
 - (10) System changes have already been installed to include a correct statement of coverage under which payments are made with all claim payments made to insureds.
 - (11) The company will perform an internal audit of the Uninsured Motorist claims where the deductible was applied incorrectly when the at-fault party was identified. The company will then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. The spreadsheet will be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments. This additional review will be complete and restitution made by June 30th, 2018.

*In response to the above items marked with an asterisk, it is the company's general business practice to perform each of these duties. Our corrective action for these violations will include refresher training to the claims organization reminding them of each of these processes. This training occurred throughout 4th quarter 2017. In addition, our ongoing quality checks will audit for compliance.

Forms Review

The General Automobile Insurance Co. response:

- (1) The company will use the rate classification statement filed and approved by the

Bureau. The revised rate classification statement was implemented May 22nd, 2018.

- (2) The company will use the required standard auto forms adopted by the Bureau. The forms will be implemented no later than 08/30/18.

Review of Policy Issuance Process

The General Automobile Insurance Co. response:

The company will implement system changes to assure the benefits, coverages, advantages, and conditions of the policy are represented by listing forms and discounts applicable to the policy on the declarations page no later than 07/30/18.

Review of Statutory Notices

The General Automobile Insurance Co. response:

- (1) The company will amend the company's application to accurately state the calculation of return premium no later than 08/30/18.
- (2) The company will amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia. This change was implemented on 05/22/18 for new business and 07/06/18 for renewals.
- (3) The company will develop a Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 B of the Code of Virginia. This change was implemented on 05/22/18 for new business and 07/06/18 for renewals.
- (4) The company will amend the language in the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07 no later than 08/30/18.
- (5) The company will amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia no later than 09/30/18.
- (6) The company will amend the Medical Expense Benefits notice to comply with §

38.2-2202 A of the Code of Virginia no later than 08/30/18.

- (7) The company will amend the Notice of Optional Uninsured Motorist Coverage to comply with § 38.2-2202 B of the Code of Virginia no later than 08/30/18.
- (8) The company will amend the rental reimbursement notice to comply with § 38.2-2230 of the Code of Virginia no later than 08/30/18.

Licensing and Appointment Review

The General Automobile Insurance Co. response:

- (1) The company will pay commissions only to a trade name when it is filed with the Bureau of Insurance.
- (2) The company will pay commissions only to agents and agencies that are appointed by the company within 30 days of the application.
- (3) The company will accept business only from agents and agencies that have a current license from the Commonwealth of Virginia.

To assure compliance in this area is maintained, the company has centralized a new licensing team. This team has been provided training in the legal requirements for all licensing and appointment activities as of October 2017. Weekly audits of all new business and subsequent commission payments have been ongoing since December 2017.

Part three – recommendations

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies 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

The company will take the following actions as recommended:

Termination

- The company will properly code terminations in the correct category.
- The company will make system changes to maintain accurate IMB tracking records to include all digits in the tracking number.

Claims

- The company will acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten days.
- The company will make claim denials in writing and keep a copy of the written denial in the file.
- The company will notify the claimant within five business days when a settlement check of \$5000.00 or greater is sent to the claimant's attorney or representative.
- The company will make a prompt, fair, and equitable settlement of a claim in which liability is reasonably clear.
- The company will Make claim payments under the correct coverage.
- The company will provide a reasonable explanation of the basis for a denial of a claim or a compromised settlement to claimants.
- The company will Include the fraud statement on all claim forms required by the company as a condition of payment.
- The company will reference the appropriate company name of The General Automobile Insurance Company.
- The company will amend the declarations page to show the transportation expenses coverage limit versus a per day limit.

Forms

- The company will correct the spelling errors on the Personal Auto Policy form PP

00 01 01 05.

Notices

- The company will remove the Right to Review language in its CNVG18 notice when the notice is mailed on cancellations within the first 60 days of coverage.

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

June 19, 2018

VIA UPS 2nd DAY DELIVERY

Nichole Brockman
Director of Corporate Compliance
The General Automobile Insurance Company
2636 Elm Hill Pike
Nashville, TN 37214

**RE: Market Conduct Examination
The General Automobile Insurance Company (NAIC# 13703)
Examination Period: January 1, 2017 – June 30, 2017**

Dear Ms. Brockman:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of June 15, 2018. Based upon the Bureau's review of the company's April 12, 2018, April 16, 2018, May 29, 2018 and June 15, 2018 correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of The General Automobile Insurance Company (Report).

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

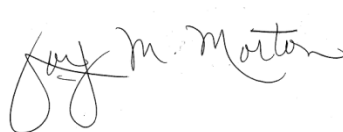
Sections 38.2-305 A, 38.2-305 B, 38.2-502 1, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 10, 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1318, 38.2-1812 E, 38.2-1822 A, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 B, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2230 of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code.

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

Ms. Brockman
June 19, 2018

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

Sincerely,

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

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



July 16, 2018

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

**RE: Market Conduct Examination
The General Automobile Insurance Company (NAIC# 13703)
Examination Period: January 1, 2017 – June 30, 2017**

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated June 22, 2018, concerning the above referenced matter.

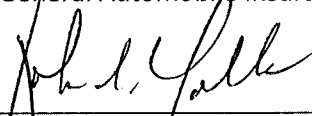
We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-305 A, 38.2-305 B, 38.2-502 1, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 10, 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1318, 38.2-1812 E, 38.2-1822 A, 38.2-1833, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 B, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2230 of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$53,700.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of April 12, 2018, May 29, 2018 and June 15, 2018.
3. We confirm that restitution was made to 32 consumers for \$13,296.06 in accordance with the company's letters of April 12, 2018 and May 29, 2018.
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,

The General Automobile Insurance Company



(Signed)

John A. Holler

(Type or Print Name)

President & COO

(Title)

7/17/18

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

The General Automobile Insurance Company, Inc. has tendered to the Bureau of Insurance the settlement amount of \$53,700.00 by its check numbered 148083 and dated July 17, 2018, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 31, 2018

SCC-CLERK'S OFFICE
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2018 JUL 31 P 4:08

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2018-00187

THE GENERAL AUTOMOBILE INSURANCE
COMPANY, INC.

Defendant

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that The General Automobile Insurance Company, Inc. ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-305 A of the Code of Virginia ("Code") by failing to provide the information required by statute in the insurance policy; §§ 38.2-305 B, 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-2202 A, 38.2-2202 B, and 38.2-2230 of the Code by failing to accurately provide the required notices to insureds; § 38.2-502 (1) of the Code by misrepresenting the benefits, advantages, conditions or terms of an insurance policy; § 38.2-1318 of the Code by failing to provide convenient access to files, books and records; § 38.2-1812 E of the Code by paying commissions to a trade name that was not registered with the Bureau; § 38.2-1822 A of the Code by permitting an unlicensed agent to act on the Defendant's behalf; § 38.2-1833 of the Code by paying commissions to agencies or agents that are not appointed by the Defendant; § 38.2-1905 C of the Code by assigning points under a safe-driver insurance policy to a vehicle other than the vehicle customarily driven by the operator responsible for incurring points;

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§ 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; §§ 38.2-2208 B, 38.2-2212 E, and 38.2-2212 F of the Code by failing to properly terminate insurance policies; § 38.2-2214 of the Code by using a rate classification statement other than the one filed and approved by the Bureau; § 38.2-2220 of the Code by failing to have mandatory standard forms available for use; §§ 38.2-510 A (1), 38.2-510 A (3), and 38.2-510 A (10) of the Code and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.* ("Rules"), 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 the 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 agreed to comply with the corrective action plan outlined in company correspondence dated April 12, 2018, May 29, 2018, and June 15, 2018; confirmed that restitution was made to 32 consumers in the amount of Thirteen Thousand Two Hundred Ninety-six Dollars and Six cents (\$13,296.06); tendered to Virginia the sum of Fifty Three Thousand Seven Hundred Dollars (\$53,700); and waived the right to a hearing.

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: John A. Hollar, President & Chief Operating Officer, The General Automobile Insurance Company, Inc., 2636 Elm Hill Pike, Suite 510, Nashville, Tennessee 37214; 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.