

MARKET CONDUCT EXAMINATION REPORT

OF

**CSAA AFFINITY INSURANCE COMPANY
CSAA GENERAL INSURANCE COMPANY
CSAA MID-ATLANTIC INSURANCE COMPANY**

AS OF

December 31, 2017

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

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA



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I, Melody Morrissette, Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid Atlantic Insurance Company as of December 31, 2017, conducted at our office in Richmond, Virginia, is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' 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-2018-00239 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 11th of January, 2019.

Melody S. Morrissette
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a target examination has been made of the private passenger automobile and homeowner lines of business written by CSAA Mid-Atlantic Insurance Company, CSAA Affinity Insurance Company, and CSAA General Insurance Company at the office of the State Corporation Commission Bureau of Insurance in Richmond, Virginia.

The examination commenced April 23, 2018 and concluded July 23, 2018. Andrea D. Baytop, Karen S. Gerber, Ju'Coby D. Hendrick, Melody S. Morrissette, 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 October 26, 2017 and was assigned the Action Number of VA-VA097-18. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

COMPANY PROFILES*

CSAA Affinity Insurance Company was incorporated on May 16, 1928 under the laws of Pennsylvania to take over the automobile casualty lines formerly written by the reciprocal insurer organized by the Keystone Auto Club. It began business June 1, 1928 as the Keystone Automobile Club Casualty Company. The Keystone Automobile Club Fire Company, Philadelphia, was absorbed on January 1, 1950 after the charter was amended to authorize multiple line operations. The company adopted the name Keystone Insurance Company on September 1, 1958, and the present name (CSAA Affinity Insurance Company) on January 3, 2014. The company was purchased by CSAA Insurance Exchange (formally known as AAA Northern California, Nevada & Utah Insurance

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

Exchange) on January 1, 2011. On January 1, 2016, the company redomesticated to Arizona.

CSAA General Insurance Company was incorporated under the laws of California on June 25, 1987 and commenced business January 2, 1990. CSAA Insurance Exchange acquired the company on June 30, 1999. On December 31, 2008, the company redomesticated to Indiana. The present name of the company was changed on January 8, 2014.

CSAA Mid-Atlantic Insurance Company was incorporated in Pennsylvania on November 26, 1996 to specifically meet the insurance needs of AAA Mid-Atlantic, Inc. automobile club members. The company commenced business on July 28, 1997. The company was purchased by CSAA Insurance Exchange on January 1, 2011. The present name of the company was changed on January 3, 2014. On January 1, 2016, the company redomesticated to Arizona.

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

GROUP CODE:	CSAAGIC	CSAAAIC	CSAAMAIC
NAIC Company Number	37770	11681	10675
LICENSED IN VIRGINIA	10/21/2004	6/6/1995	12/9/1999
LINES OF INSURANCE			
Accident and Sickness			
Aircraft Liability			
Aircraft Physical Damage			
Animal			
Automobile Liability	X	X	X
Automobile Physical Damage	X	X	X
Boiler and Machinery			
Burglary and Theft	10/01/2013	X	
Commercial Multi-Peril			
Credit			
Farmowners Multi-Peril			
Fidelity			
Fire	10/01/2013	X	X
General Liability	10/01/2013	X	X
Glass	10/01/2013	X	X
Homeowners Multi-Peril	10/01/2013	X	X
Inland Marine	10/01/2013	X	X
Miscellaneous Property	10/01/2013	X	X
Ocean Marine			
Surety			
Water Damage	10/01/2013	X	X
Workers' Compensation			

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

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
CSAAGIC Automobile Liability	\$10,400,968	.34%
CSAAGIC Automobile Physical Damage	\$6,650,967	.28%
CSAAAIC Automobile Liability	\$19,399	.00%
CSAAAIC Automobile Physical Damage	\$22,995	.00%
CSAAMAIC Automobile Liability	\$177,988	.01%
CSAAMAIC Automobile Physical Damage	\$153,697	.01%

* 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 companies' private passenger automobile and homeowner lines of business written in Virginia for the period beginning July 1, 2017 and ending December 31, 2017. This review included policy terminations, claims handling, forms, statutory notices, 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 companies' 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 of the violations of Virginia insurance laws that were cited during the examination. In addition, the examiners cited instances where the companies 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 companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

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

STATISTICAL SUMMARY

The files selected for the review of the termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. 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	CSAA GIC	CSAA AIC	CSAA MAIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
Private Passenger Auto								
Co-Initiated Cancellations ¹	$\frac{0}{0}$	$\frac{0}{0}$	$\frac{1}{1}$	$\frac{1}{1}$	0	0	0	0%
All Other Cancellations ²	$\frac{978}{15}$	$\frac{3}{3}$	$\frac{70}{6}$	$\frac{1051}{24}$	24	0	10	42%
Nonrenewals	$\frac{11}{11}$	$\frac{0}{0}$	$\frac{0}{0}$	$\frac{11}{11}$	11	0	4	36%
Homeowner								
Co-Initiated Cancellations ³	$\frac{2}{2}$	$\frac{1}{1}$	$\frac{0}{0}$	$\frac{3}{3}$	2	0	0	0%
All Other Cancellations ⁴	$\frac{417}{6}$	$\frac{1106}{14}$	$\frac{0}{0}$	$\frac{1523}{20}$	19	0	12	63%
Nonrenewals	$\frac{2}{2}$	$\frac{0}{0}$	$\frac{0}{0}$	$\frac{2}{2}$	2	0	1	50%
Claims								
Auto ⁵	$\frac{1475}{52}$	$\frac{5}{5}$	$\frac{85}{23}$	$\frac{1565}{80}$	79	0	46	58%
Property ⁶	$\frac{98}{20}$	$\frac{156}{27}$	$\frac{0}{0}$	$\frac{254}{47}$	46	0	24	52%
Footnote ¹ - One file was moved to Insured Requested.								
Footnote ² - One file was moved from After the 60 th day to Insured Requested. One file was a cancel/rewrite and was not reviewed.								
Footnote ³ - One file was moved to Insured Requested.								
Footnote ⁴ - One file was moved from After the 90 th day to Insured Requested. One Non Pay file was determined to be an Insured Requested cancellation and was not reviewed. One file was for a rental property and was not reviewed.								
Footnote ⁵ - One file was a duplicate claim and was not reviewed.								
Footnote ⁶ - One file contained open claim coverages and was not reviewed.								

PART ONE - THE EXAMINERS' OBSERVATIONS

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

TERMINATION REVIEW

The Bureau 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

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The companies reported that they had no automobile cancellations prior to the 60th day of coverage during the examination period.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The companies could not provide any files for the Bureau's review. The companies did not properly code and categorize its files and could not identify terminations in this category.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed eight automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to retain proof of sending the cancellation notice to the insured.

- (2) The examiners found four violations of § 38.2-2208 B of the Code of Virginia. The company failed to provide proper notice of cancellation to the lienholder.
- (3) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to mail the cancellation notice to the insured at least 15 days prior to the effective date of cancellation.

REQUESTED BY THE INSURED

The examiners reviewed 16 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found overcharges totaling \$22.00 and undercharges totaling \$175.77. The net amount that should be refunded to insureds is \$22.00 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 three 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 11 automobile non-renewals that were initiated by the companies.

- (1) The examiners found two violations of § 38.2-2208 A of the Code of Virginia.
 - (a) In one instance, the company failed to obtain valid proof of mailing the non-renewal notice to the insured.
 - (b) In one instance, the company failed to retain proof of mailing the non-renewal notice to the insured.
- (2) The examiners found four violations of § 38.2-2208 B of the Code of Virginia. The

company failed to send a nonrenewal notice to the lienholder.

HOMEOWNER POLICIES

Company-Initiated Cancellations – Homeowner Policies

NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The examiners reviewed two homeowner cancellations that were initiated by the companies where the notice was mailed prior to the 90th day of coverage in the initial policy period. During this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The companies could not provide any files for the Bureau's review. The companies did not properly code and categorize its files and could not identify terminations in this category.

All Other Cancellations – Homeowner Policies

NONPAYMENT OF THE PREMIUM

The examiners reviewed 10 homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found five violations of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (2) The examiners found four violations of § 38.2-2113 C of the Code of Virginia.
 - a. In three instances, the company failed to provide proper notice of cancellation to the lienholder.
 - b. In one instance, the company failed to retain proof of mailing the

cancellation notice to the insured.

- (3) The examiners found three violations of § 38.2-2114 C of the Code of Virginia. The did not include the insured's right to request a review by the Commissioner of Insurance.

REQUESTED BY THE INSURED

The examiners reviewed nine homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found two violations of § 38.2-2114 E of the Code of Virginia. The company failed to obtain a written request from the insured to cancel the policy.

Company-Initiated Non-renewals – Homeowner Policies

The examiners reviewed two homeowner non-renewals that were initiated by the companies.

The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of nonrenewal to the lienholder.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 79 automobile claims for the period of July 1, 2017 through December 31, 2017. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$567.90 and underpayments totaling \$14,690.60. The net amount that should be paid to claimants is \$14,690.60 plus six percent (6%) simple interest.

- (1) The examiners found 15 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 16 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 deductibles 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 ten 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 four 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 five 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.

- (4) The examiners found 17 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 nine instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverage applied to the claim.
 - b. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
 - c. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
 - d. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Collision or Other than Collision coverage.

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

- (5) The examiners found five 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 four instances, the company failed to provide a copy of the repair estimate to the insured.
 - b. In one instance, the company failed to provide a copy of the repair estimate to the claimant.

- (6) The examiners found three violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (7) The examiners found two 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.
- (8) The examiners found 15 violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear. The company unreasonably delayed the settlement of a claim.

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

- (9) The examiners found two violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a valid assignment of benefits authorizing the company to make payments directly to the medical provider.
- (10) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (11) The examiners found two 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 he/she was entitled to receive under the terms of the policy.
 - b. In one instance, the company overpaid the vehicle sales and use tax.

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 two violations of § 46.2-624 C of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500.00 on a water-damaged vehicle.

Homeowner Claims

The examiners reviewed 46 homeowner claims for the period of July 1, 2017 through December 31, 2017. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$221.00 and underpayments totaling \$13,506.05. The net amount that should be paid to claimants is \$13,285.05 plus six percent (6%) simple interest.

- (1) The examiners found nine 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 one violation 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 contract that were pertinent to the claim. The company failed to inform the insured of the replacement cost benefits under the dwelling coverage of the policy.
- (3) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to

notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.

- (4) The examiners found three 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 one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (6) The examiners found 13 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.
 - a. In four instances, the company failed to pay the entire claim under the insured's Dwelling Replacement Cost coverage.
 - b. In two instances, the company failed to pay the entire claim under the Personal Property Actual Cash Value (ACV) coverage.
 - c. In three instances, the company failed to pay the entire claim under the insured's Additional Living Expense coverage.
 - d. In one instance, the company failed to pay the entire claim under the insured's Additional Coverages.
 - e. In three instances, the company failed to pay the entire claim under the insured's replacement cost personal property coverage.

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

- (7) The examiners found 17 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.

- a. In five instances, the company issued written communications that misrepresented how the coverage would apply to the claim.
- b. In 12 instances, the company failed to properly represent the replacement cost provisions of the policy.

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

- (8) The examiners found one violation 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.
- (9) The examiners found three 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.
- (10) The examiners found one violation of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (11) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- (12) The examiners found six occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In one instance, the company failed to include the lienholder on the check when applicable.

- b. In one instance, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy.
- c. In four instances, the company issued payments under the incorrect coverages.

FORMS REVIEW

The examiners reviewed the companies' policy forms and endorsements used during the examination period for all of the lines of business examined. From this review, the examiners verified the companies' 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 companies.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 80 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

Homeowner Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 105 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found 14 violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to its effective date.

STATUTORY NOTICES REVIEW

The examiners reviewed the companies' statutory notices used during the examination period for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the companies.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies 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 three violations of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (2) The examiners found three violations of § 38.2-604.1 B of the Code of Virginia. The company's Notice of Financial Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (3) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to have available for use an Adverse Underwriting Decision (AUD) notice.

Statutory Vehicle Notices

- (1) The examiners found three violations of § 38.2-517 A 3 of the Code of Virginia. The company's Glass Script did not properly disclose the use of a third-party

administrator.

- (2) The examiners found one violation of § 38.2-1905 A of the Code of Virginia. The company failed to have available for use an Accident Point Surcharge notice.
- (3) The examiners found three violations of § 38.2-2202 A of the Code of Virginia. The company's Medical Expense Benefits notice was not in the precise wording as required by the Code of Virginia.
- (4) The examiners found two violations of § 38.2-2202 B of the Code of Virginia. The company's the rejection of higher uninsured motorist limits notice was not in the precise language as required by the Code of Virginia.
- (5) The examiners found two violations of § 38.2-2230 of the Code of Virginia. The company failed to have available for use a Rental Reimbursement notice.

Statutory Property Notices

- (1) The examiners found two violations of § 38.2-2125 of the Code of Virginia. The company failed to include all of the information required by the statute in its Flood Exclusion notice.
- (2) The examiners found one violation of § 38.2-2129 of the Code of Virginia. The company failed to include all of the information required by the statute in its Earthquake Exclusion notice.

Other Notices

The examiners found two violations of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits advantages, or terms of its insurance policy, in an estimate, circular, statement, sales presentation omission or comparison. The company included information on its application that misrepresents what constitutes an at fault accident.

COMPLAINT-HANDLING PROCESS REVIEW

A review was made of the companies' 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.

PRIVACY AND INFORMATION SECURITY PROCEDURES REVIEW

The Bureau requested a copy of the companies' information security program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The examiners found no violations in this area.

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

CSAA General Insurance Company,
CSAA Affinity Insurance Company,
CSAA Mid-Atlantic Insurance Company shall:

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

Termination Review

CSAA General Insurance Company,
CSAA Affinity Insurance Company,
CSAA Mid-Atlantic Insurance Company 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 companies acknowledge that they have refunded or credited the overcharges listed in the file.

- (4) Provide the insured with a written notice of an Adverse Underwriting Decision.
- (5) Calculate return premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing cancellation and non-renewal notices to the insured and lienholder.
- (7) Provide proper notice of cancellation or refusal to renew to the insured and lienholder.
- (8) Obtain written notice when the insured requests cancellation of the policy.
- (9) Send cancellation notices at least 15 days before the effective date of cancellation when a private passenger automobile policy is cancelled for nonpayment of premium.
- (10) Inform the insured of the right to have the cancellation reviewed by the Commissioner of Insurance.

Claims Review

CSAA General Insurance Company,
CSAA Affinity Insurance Company,
CSAA Mid-Atlantic Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the 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) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (8) Make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (9) 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. 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

CSAA General Insurance Company,
CSAA Affinity Insurance Company,
CSAA Mid-Atlantic Insurance Company shall:

File all homeowner forms with the Bureau at least 30 days prior to use.

Statutory Notices Review

CSAA General Insurance Company,
CSAA Affinity Insurance Company,
CSAA Mid-Atlantic Insurance Company shall:

- (1) Amend the application to properly represent the company issuing the policy.
- (2) Amend the Glass Script to comply with the requirements § 38.2-517 A 3 of the Code of Virginia.
- (3) Amend the long form Notice of Information Collection and Disclosure Practices to comply with the requirements § 38.2-604 B of the Code of Virginia.
- (4) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with the requirements § 38.2-604.1 B of the Code of Virginia.
- (5) Develop an AUD notice that complies with the requirements § 38.2-610 A of the Code of Virginia.
- (6) Develop an Accident Point Surcharge notice that complies with the requirements § 38.2-1905 A of the Code of Virginia.
- (7) Amend the Medical Expense Benefits notice to comply with the requirements of § 38.2-2202 A of the Code of Virginia.
- (8) Amend the Notice of Optional Uninsured Motorist Coverage to comply with the requirements of § 38.2-2202 B of the Code of Virginia.
- (9) Amend the Flood Exclusion notice to comply with the requirements of § 38.2-2125 of the Code of Virginia.
- (10) Amend the Earthquake Exclusion notice to comply with the requirements § 38.2-2129 of the Code of Virginia.
- (11) Develop a Rental Reimbursement notice that complies with the requirements § 38.2-2230 of the Code of Virginia.

PART THREE – EXAMINERS’ 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.

RECOMMENDATIONS

We recommend that the companies take the following actions:

Termination

- File a broadening to the standard form to reflect the companies’ practices of not requiring a written request for insured requested cancellation.

Claims

- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.
- Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Additional Living Expense and replacement cost benefits coverage.
- Notify the insured, in writing, every 45 days of the reason for the companies’ delay in completing the investigation of the claim.
- Make all denials in writing and keep a copy in the claim file.
- Provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- Provide copies of vehicle repair estimates prepared by or on behalf of the companies to insureds and claimants.
- Adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- Make claim payments to insureds or beneficiaries that are accompanied by a statement setting forth the correct coverage(s) under which the payments are made.
- Make medical payments directly to the insured unless a valid assignment of benefits has been obtained.

- Pay the amount due to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- Include the lienholder on payments when applicable.
- Pay an insured no more than what he or she is entitled to receive under the terms of the policy.
- Make claim payments under the correct coverage(s).
- Pay the appropriate amount of vehicle sales and use tax.

Forms

- Correct any formatting issues on forms provided to the insured.

Statutory Notices

- Correct any typing errors on notices provided to the insured.
- Provide notices required by the statute, having the endorsement available does not meet the statute requirements unless the coverage is automatically provided on all policies.
- Correct and amend the Accident Point Surcharge Notice to comply with the requirements of the statute.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted one prior market conduct examination of Keystone Insurance Company and AAA Mid-Atlantic Insurance Company.

During the private passenger automobile, and homeowner examination of Keystone Insurance Company and AAA Mid-Atlantic Insurance Company as of September 30, 2001, the company violated: §§ 38.2-305A, 38.2-317 A, 38.2-510 A 1, 38.2-510 A 10, 38.2-512 A, 38.2-604, 38.2-604.1, 38.2-610, 38.2-1318, 38.2-1906 D, 38.2-2014, 38.2-2113, 38.2-2114, 38.2-2118, 38.2-2208, 38.2-2210, 38.2-2212, 38.2-2220, 38.2-2223 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.

During the private passenger automobile, assigned risk automobile, and homeowner examination of Keystone Insurance Company and AAA Mid-Atlantic Insurance Company as of March 31, 2005, the company violated §§ 38.2-305 A, 38.2-510 A 10, 38.2-604 A, 38.2-1906 D, 38.2-2113, 38.2-2114, 38.2-2208, 38.2-2212, 38.2-2220, and 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

ACKNOWLEDGEMENT

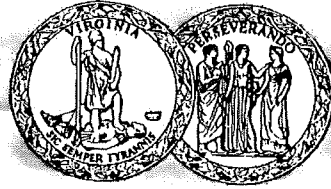
The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink, appearing to read "Melody Morrissette". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Melody Morrissette
Examiner-In-Charge

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
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August 2, 2018

VIA UPS 2nd DAY DELIVERY

Tony Campilongo
CSAA Insurance Group
3055 Oak Road
Walnut Creek, CA 94597

RE: Market Conduct Examination
CSAA Affinity Insurance Company (NAIC# 11681)
CSAA General Insurance Company (NAIC# 37770)
CSAA Mid-Atlantic Insurance Company (NAIC # 10675)
Exam Period: July 1, 2017 – December 31, 2017

Dear Mr. Campilongo:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of July 1, 2017 through December 31, 2017. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since July 23, 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 companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish 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 companies provide written documentation to support their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies 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 companies 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 companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

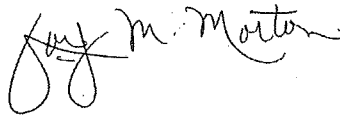
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by September 10, 2018.

After the Bureau has received and reviewed the companies' 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 September 10, 2018.

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



CSAA Affinity Insurance Company
CSAA General Insurance Company
CSAA Mid-Atlantic Insurance Company
3055 Oak Road
Walnut Creek, CA 94597

Sent via email

September 10, 2018

Bureau of Insurance
P.O. Box 1157
Richmond, VA 23219

Attn: Joy Morton, Manager - Market Conduct Section, Property & Casualty Division

RE: Preliminary examination report of CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid-Atlantic Insurance Company

Dear Ms. Morton:

CSAA Affinity Insurance Company/CSAA General Insurance Company/CSAA Mid-Atlantic Insurance Company ("The Company") has received the preliminary report of the market conduct examination dated August 2, 2018. The Company agrees with the findings as stated in Part One of the report.

Regarding Part Two – Corrective Action Plan:

Termination Review

- 1 – 3. The Company has refunded the overcharge cited in Reference Number TPA016 plus six percent simple interest. The information is provided in the CSAA Restitution Spreadsheet that has been uploaded to the Bureau's FTP portal.
4. For the one violation cited under sample number TPA028 the information required to be contained in the AUD was provided to the insured on page 2 of the Nonrenewal Renewal notice, a copy of which is included in the Appendix. The Company requests that this violation be withdrawn.
5. The Company will calculate return premium according to the filed rules and policy provisions.

6 - 7. The Company is implementing a revised process for issuing underwriting cancellation notices to policyholders and, where applicable, to lienholders and retaining proof of mailing to ensure compliance with all requirements.

8. The Company is preparing to file an amendatory endorsement to its PPA policy allowing for cancellation of a policy via telephone call.

9. The process for issuing underwriting cancellation notices and retaining proof of mailing is currently being revised to ensure compliance with all requirements.

10. The Company will reinforce the use of the correct cancellation notice, which includes notice of the right to have the cancellation reviewed by the Commissioner of Insurance.

Claims Review

1 – 3. The Company has sent the amount of underpayments plus six percent simple interest to the insureds and claimants. The information is provided in the CSAA Restitution Spreadsheet that has been uploaded to the Bureau's FTP portal.

Note: Regarding reference number CPA058, payment under Medical Payments was issued for the total amount of actual billed treatments plus six percent (6%) simple interest.

4 – 8. The Company will communicate follow-up guidance and reinforcement of proper claim handling procedures to its Claims staff, including documentation of claim files; advisement of all applicable coverages; payment of fair and reasonable settlement in accordance with policy provisions; proper representation of pertinent facts or insurance provisions relating to coverage; and prompt, fair and equitable settlement of claims in which liability is reasonably clear.

9. The Company will conduct an internal audit of the full population of Uninsured Motorist claims and will prepare an excel spreadsheet based on the Restitution Spreadsheet provided by the Bureau documenting payments made (including six percent simple interest) as a result of the audit.

Forms Review

The Company will file all homeowner forms with the Bureau at least 30 days prior to use.

Statutory Notices Review

1. The Company no longer writes new business under CSAA Affinity Insurance Company, therefore the application form in question is no longer in use.

1. The Company has engaged its glass claim administrator, Safelite Solutions, to revise the Glass Script to comply with the requirements of Section 38.2-517 A 3 of the Code of Virginia.
2. The Company is currently preparing an updated version of the privacy notice to comply with Section 38.2-604 B.
3. The Company is currently preparing an updated version of the privacy notice to comply with Section 38.2-604 B.
4. The Company will correct the process for issuing an Adverse Action Underwriting Decision notice (AAUVA 07 14) to include a summary of rights notice (AASRVA 07 14, a copy of which is included in the Appendix).
5. This was done in March, 2018. A copy of the revised Adverse Action notice with Accident Point Surcharge Notice (AHAUX 10 17) is provided in the Appendix.
6. This was implemented on July 14, 2018. A copy of the revised Medical Expense Benefits notice (PP 05 96 03 16) is provided in the Appendix.
7. The Company will amend its Notice of Optional Uninsured Motorist Coverage to comply with Section 38.2-2202 A.
8. The Company will amend its Flood Exclusion notice to comply with Section 38.2-2125.
9. The Company will amend its Flood Exclusion notice to comply with Section 38.2-2129.
10. The findings regarding the Rental Reimbursement notice were made under CSAA Affinity Insurance Company and CSAA Mid-Atlantic Insurance Company. The Company no longer writes new business under these companies and as of May 2018 all existing PPA policies have been converted from CSAA Affinity Insurance Company and CSAA Mid-Atlantic Insurance Company to CSAA General Insurance Company, under which Rental Reimbursement Coverage is provided automatically.

Regarding Part Three – Examiners’ Recommendations:

Termination

The Company will file amendatory policy language regarding requirements for cancellation requests.

Claims

- The Company will acknowledge correspondence that reasonably suggests a reply is expected within ten business days.
- The Company will document the claim file that all applicable coverages have been discussed with the insured.
- The Company will notify the insured in writing every 45 days of the reason for the Company’s delay in completing the investigation of the claim.
- All denials will be made in writing with a copy of the denial kept in the claim file, and provide a reasonable explanation for the bases of the denial.

- Copies of all vehicle repair estimates will be provided to insureds and claimants.
- The Company will update its Standard Operating Procedures to ensure reasonable standards for the prompt investigation of claims.
- Payments made to insureds or beneficiaries will be accompanied by notification indicating the correct coverage(s) under which the payments are made.
- The Company will update its Standard Operating Procedures to require that medical payments be made directly to the insured unless a valid assignment of benefits has been obtained.
- The Company will update its Standard Operating Procedures to reflect that the insured must be paid amount due when Medical Expense Benefits may not be reduced for any benefits paid, payable or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- The lienholder will be included on payments where applicable.
- The Company will pay an insured no more than what he or she is entitled to recover under the terms of the policy.
- Claim payments will be made under the correct coverage(s).
- The Company will pay the correct amount of vehicle sales and use tax.

Forms

The Company has submitted a request to its IT Department to correct the formatting issues.

Statutory Notices

- The Company has submitted a request to its IT Department to correct the typographical errors.
- As noted in response to Part Two, the Company no longer has PPA auto business under CSAA Affinity Insurance Company or CSAA Mid-Atlantic Insurance Company and Rental Reimbursement Coverage is provided automatically under CSAA General Insurance Company.
- This was done in March, 2018. A copy of the revised Adverse Action notice with Accident Point Surcharge Notice (AHAUXX 10 17) is provided in the Appendix.

The Company would like to thank the examiners for their courtesy and professionalism throughout the examination. If you have any questions please do not hesitate to contact me at the telephone number or e-mail address listed below.

Sincerely,



Tony Campilongo

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

October 10, 2018

VIA UPS 2nd DAY DELIVERY

Tony Campilongo
CSAA Insurance Group
3055 Oak Road
Walnut Creek, CA 94597

RE: Market Conduct Examination
CSAA Affinity Insurance Company (NAIC# 11681)
CSAA General Insurance Company (NAIC# 37770)
CSAA Mid-Atlantic Insurance Company (NAIC # 10675)
Exam Period: July 1, 2017 – December 31, 2017

Dear Mr. Campilongo:

The Bureau of Insurance (Bureau) has reviewed the September 10, 2018 response to the Preliminary Market Conduct Report (Report) of the above referenced Companies (Companies). The Bureau has referenced only those items in which the Companies have 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

Company-Initiated Non-renewals – Automobile Policies

- (1) After further review, the violation for TPA028 has been withdrawn from the Report.

PART TWO – CORRECTIVE ACTION PLAN

Termination Review

- (5) Please advise when the system revisions to amend the calculations of the return premium will be complete.

- (6-7) Please advise when the Company will implement the changes to address the violations involving cancellation notices and proof of mailing for the lienholders.
- (8) Please advise when the filing(s) will be made to amend the insured requested cancellation requirements.
- (9) Please advise when the process will be implemented.
- (10) Please provide the dates training was completed or will be completed to implement use of the correct cancellation notice.

Claims Review

- (3) The Company should make the outstanding restitution to insureds as indicated in the enclosed Revised Restitution Spreadsheet.
The Company acknowledged the violation for CPA075, however the full restitution was not made. The Company should send a check for the amount indicated in the attached Restitution Spreadsheet.
The Restitution Spreadsheet has been amended to show the actual claim amount for CPA058.
- (4-8) Please provide the dates training was completed or will be completed to address the claims issues identified in the Report.

Forms Review

The Company should provide the estimated completion date for correcting the homeowner forms language.

Statutory Notices Review

- (1) Please submit the amended notice applicable to CSAA General Insurance Company.
- (2-3) Please provide the date the privacy notice will be updated to comply with the requirements of § 38.2-604 B of the Code of Virginia.
- (4) Please provide the date the privacy notice will be updated to comply with the requirements of § 38.2-604.1 B of the Code of Virginia.
- (5) Please provide the date the Adverse Underwriting Decision notice will be updated to comply with the requirements of § 38.2-610 A of the Code of Virginia.
- (6) The Accident Point Surcharge notice should include a reference to the violation causing the surcharge that was applied to the policy.
- (7) Please provide the date the Medical Expense Benefits **notice** will be amended to comply with the requirements of § 38.2-2202 A of the Code of Virginia. The Company provided the Medical Expense and Income Loss Benefits Coverage **form** (PP05960105) when the notice was the document under review.

- (8) Please provide the date the Flood Exclusion Notice will be updated to comply with the requirements of § 38.2-2125 of the Code of Virginia.
- (9) Please provide the date the Earthquake Exclusion Notice will be updated to comply with the requirements of § 38.2-2129 of the Code of Virginia.
- (10) The Company should confirm that Transportation Expenses coverage is provided automatically without an additional charge if the insured has purchased Other Than Collision or Collision coverage.

PART THREE – RECOMMENDATIONS

Termination

Please provide the date the revision correcting the policy language for insured requested cancellations was made.

Claims

Please provide the dates training was completed or will be completed to address the claims issues identified in the Report.

Forms

Please provide the estimated completion date for correcting the forms formatting issues identified during the examination.

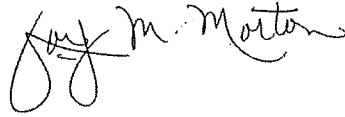
Statutory Notices

- Please provide the estimated completion date for correcting the notice typographical issues identified during the examination. Please send the corrected notices to the Bureau for review.
- The Company should develop a separate notice for the Accident Point Surcharge, the notice should not be included with several other notices.
- The notice must include specifics for the surcharge applied.

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, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by October 26, 2018.

After the Bureau has received and reviewed the Companies' response, we will make any justified revisions to the Report. The Bureau will then be able to determine the appropriate disposition of the market conduct examination. We look forward to your response on or before October 26, 2018.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being particularly prominent.

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

Enclosures



CSAA Affinity Insurance Company
CSAA General Insurance Company
CSAA Mid-Atlantic Insurance Company
3055 Oak Road
Walnut Creek, CA 94597

Sent via email

October 26, 2018

Bureau of Insurance
P.O. Box 1157
Richmond, VA 23219

Attn: Joy Morton, Manager - Market Conduct Section, Property & Casualty Division

RE: Revised preliminary examination report of CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid-Atlantic Insurance Company

Dear Ms. Morton:

The following are the implementation dates for the various corrective actions that you requested in your letter dated October 10, 2018.

Termination Review

- (5) There was only one violation noted during the exam that involved the miscalculation of return premium, which was processed on the Company's legacy policy system. The Company believes this was a one-off error and not indicative of a general issue with the legacy system that necessitates a costly system programming change.
- (6-7) Changes to the process for issuing cancellation notices to lienholders were implemented on September 4, 2018 and a new process for retaining proof of mailing was implemented on September 10, 2018.
- (8) The Company has filed an amendatory endorsement to change the insured requested cancellation requirements (under SERFF number WSUN-131636227) and is currently awaiting approval from the Bureau.
- (9) This issue involved a single violation which the Company believes was the result of a procedural error rather than a system error. The Company will implement

new process controls before December, 2018 to ensure that this situation does not occur again in the future.

- (10) Programming corrections to the notice to clarify that the right to protest applies only if the policy has been in effect for more than 45 days is scheduled for implementation in December, 2018. The Company is also working on training for underwriting staff on the use of the new notice to be completing during Q1 2019.

Claims Review

- (3) The outstanding restitution payment has been completed and uploaded to the Bureau's web portal (please see "CSAA Restitution Spreadsheet 2").
- (4-8) Communications and training of applicable Claims staff will by December 1, 2018.

Forms Review

The issues noted in this finding were eventually identified by the Company as having been due to our inadvertently providing the incorrect form versions with the initial examination materials. We discovered this error and provided the correct production copies in a group of Review Sheets that were uploaded to the BOI on July 24, 2018; however, it appears that the examiners reviewed responses through July 23rd and did not review the responses from the 24th. The Company has uploaded these Review Sheets to the Bureau's web portal again, as a group (please see Zip file "July 24 Review Sheets").

Statutory Notices Review

- (1) Production copies the Auto and Homeowners new business applications for CSAA General Insurance Company have been uploaded to the Bureau's web portal (please see Zip file "CSAA General Applications").
- (2-3) The privacy notice will be updated by Q1 2019.
- (4) The privacy notice will be updated by Q1 2019.
- (5) An updated Adverse Underwriting Decision notice was implemented in May, 2018.
- (6) An updated Accident Point Surcharge notice was implemented in May, 2018.
- (7) The Medical Expense Benefit notice was amended on July 14, 2018.

- (8) The amendment to the Flood Exclusion Notice will be completed in December, 2018.
- (9) The amendment to the Earthquake Exclusion Notice will be completed in December, 2018.
- (10) The Company's Rule Manual, under subsection 3.3.2, shows that Transportation Expense Coverage with a \$600 limit is included at no additional cost on vehicles with Comprehensive and/or Collision coverage. A copy of the pertinent section of the Rule Manual has been uploaded to the Bureau's web portal (please see "Rule Manual – Transportation Expense").

Regarding Part Three – Examiners' Recommendations:

Termination

The Company has filed an amendatory endorsement to change the insured requested cancellation requirements (under SERFF number WSUN-131636227) and is currently awaiting approval from the Bureau.

Claims

Communications and training of applicable Claims staff will be completed by December 1, 2018.

Forms

The identified formatting issues were corrected on July 14, 2018.

Statutory Notices

- The identified typographical errors were corrected on July 14, 2018.
- An updated Accident Point Surcharge notice was implemented in May, 2018.

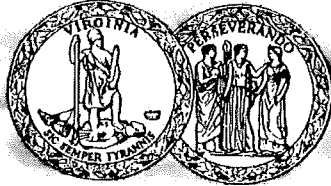
If you have any questions please do not hesitate to contact me at the telephone number or e-mail address listed below.

Sincerely,



Tony Campilongo
Senior Market Conduct Specialist
(925) 279-2659
E-mail: Anthony.Campilongo@CSAA.com

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

November 2, 2018

VIA UPS 2nd DAY DELIVERY

Tony Campilongo
CSAA Insurance Group
3055 Oak Road
Walnut Creek, CA 94597

RE: Market Conduct Examination
CSAA Affinity Insurance Company (NAIC# 11681)
CSAA General Insurance Company (NAIC# 37770)
CSAA Mid-Atlantic Insurance Company (NAIC # 10675)
Exam Period: July 1, 2017 – December 31, 2017

Dear Mr. Campilongo:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of October 26, 2018. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid-Atlantic Insurance Company (Report).

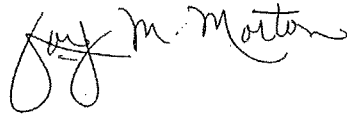
Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-317 A, 38.2-502 1, 38.2-510 A01, 38.2-510 A 6, 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1905 A, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 C, 38.2-2114 E, 38.2-2125, 38.2-2129, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 E, 38.2-2212 F and 38.2-2230 of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A and 14 VAC 5-400-70 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.

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



November 13, 2018

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

RE: Market Conduct Examination Settlement Offer
Ecase/Docket Number: INS-2018-00239

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated November 7, 2018, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2-317 A, 38.2-502 1, 38.2-510 A01, 38.2-510 A 6, 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1905 A, 38.2-1906 D, 38.2-2113 A, 38.2-2113 C, 38.2-2114 E, 38.2-2125, 38.2-2129, 38.2-2202 A, 38.2-2202 B, 38.2-2208 A, 38.2-2208 B, 38.2-2212 E and 38.2-2212 F of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$40,500.00.
2. We agree to comply with the corrective action plan set forth in the companies' letters of September 10, 2018 and October 26, 2018.
3. We confirm that restitution was made to 31 consumers for \$29,661.50 in accordance with the companies' letters of September 10, 2018 and October 26, 2018.
4. We further acknowledge the companies' 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.

Legal Division
CSAA Insurance Group
3055 Oak Road, Mallstop W290, Walnut Creek, CA 94597

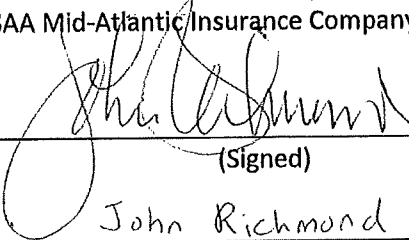
John.Richmond@csaa.com
p: 925.279.2468 f: 925.279.5622

Rebecca Nichols
Deputy Commissioner
Property and Casualty
Bureau of Insurance
Page 2
November 13, 2018

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,

CSAA Affinity Insurance Company
CSAA General Insurance Company
CSAA Mid-Atlantic Insurance Company



(Signed)

John Richmond

(Type or Print Name)

Assistant Secretary

(Title)

11/13/18

(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

CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid Atlantic Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$40,500.00 by their check numbered 1873135 and dated November 19, 2018, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 7, 2018

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2018 DEC -7 A 9: 24

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2018-00239

CSAA AFFINITY INSURANCE COMPANY,
CSAA GENERAL INSURANCE COMPANY, and
CSAA MID-ATLANTIC INSURANCE COMPANY,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that CSAA Affinity Insurance Company, CSAA General Insurance Company and CSAA Mid-Atlantic Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-317 A of the Code of Virginia ("Code") by issuing insurance policies or endorsements without having filed such policies or endorsements with the Commission at least thirty days prior to their effective date; § 38.2-502 (1) of the Code by misrepresenting the benefits, advantages, conditions or terms of an insurance policy; §§ 38.2-517 A, 38.2-604 B, 38.2-604.1, 38.2-610 A, 38.2-1905 A, 38.2-2125, 38.2-2129, 38.2-2202 A, and 38.2-2202 B of the Code by failing to accurately provide the required notices to insureds; § 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 Defendants; §§ 38.2-2113 A, 38.2-2113 C, 38.2-2114 E, 38.2-2208 A, 38.2-2208 B, 38.2-2212 E, and 38.2-2212 F of the Code by failing to properly terminate insurance policies; and §§ 38.2-510 A (1) and 38.2-510 A (6) of the Code, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement

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Practices, 14 VAC 5-400-10 *et seq.* by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219 and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in company correspondence dated September 10, 2018 and October 26, 2018, confirmed that restitution was made to 31 consumers in the amount of Twenty Nine Thousand Six Hundred Sixty-one Dollars and Fifty Cents (\$29,661.50), have tendered to Virginia the sum of Forty Thousand Five Hundred Dollars (\$40,500), and waived the right to a hearing.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants 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 Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants 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 Richmond, Assistant Secretary, CSAA Insurance Group, 3055 Oak Road, Mailstop W290,
Walnut Creek, California 94597; 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.

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