



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**MARKET CONDUCT
EXAMINATION REPORT**

OF

**CSAA GENERAL
INSURANCE COMPANY
INDIANAPOLIS, IN**

**As of: January 2, 2020
Issued: February 19, 2020**

**BUREAU OF MARKET ACTIONS
PROPERTY AND CASUALTY DIVISION**

VERIFICATION

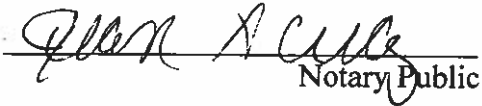
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



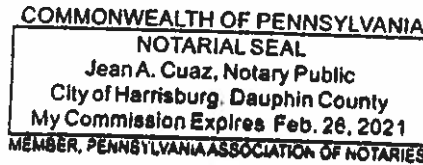
(Examiner Name), Examiner-in-Charge

Sworn to and Subscribed Before me

This ~~17th~~ Day of December, 2019



Notary Public



CSAA GENERAL INSURANCE COMPANY
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 18th day of March, 2018, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Christopher R. Monahan, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Jessica K. Altman
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
CSAA GENERAL INSURANCE : 40 P.S. §323.4(b)
COMPANY : :
3055 Oak Road : 40 P.S. §§991.2006(1), 991.2006(2), 991.2006(3),
Walnut Creek, CA 94957 : and 991.2008(b)
: :
: 40 P.S. §§1171.5(a)(9)(ii), 1171.5(a)(9)(iii), and
: 1171.5(a)(11)
: :
: 31 Pa. Code §59.9(b)
: :
: :
: :
: :
: :
: :
: :
Respondent : Docket No. MC20-01-011
: :

CONSENT ORDER

And now, this 19th day of February, 2020, this Order
is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania
pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

(a) Respondent is CSAA General Insurance Company, and maintains its address at 3055 Oak Road, Walnut Creek, CA 94957

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2018 to December 31, 2018.

(c) On January 2, 2020 the Insurance Department issued a Market Conduct Examination Report to Respondent (“Examination Report”).

(d) Respondent provided to the Insurance Department a response to the Examination Report on January 30, 2020.

(e) The Market Conduct Examination of the Respondent revealed the violations of the following:

- (i.) 40 P.S. §323.4(b), requires every company or person from whom information is sought, its officers, directors and agents must provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined;
- (ii.) 40 P.S. §991.2006(1), requires that a cancellation notice or refusal to renew be in a form acceptable to the Insurance Commissioner;
- (iii.) 40 P.S. §991.2006(2), prohibits a cancellation or refusal to renew from being effective unless the insurer delivers or mails a written notice of the cancellation or refusal to renew, which will include the date, not less than 60 days after the date of mailing or delivery, on which the cancellation or refusal to renew shall become effective. When the policy is being cancelled or not renewed for reasons set forth in Sections 2004(1) and (2), however, the effective date may be 15 days from the date of mailing or delivery;

- (iv.) 40 P.S. §991.2006(3), prohibits a cancellation or refusal to renew from being effective unless the insurer delivers or mails a written notice of the cancellation or refusal to renew, which will include the date, not less than 60 days after the date of mailing or delivery, on which the cancellation or refusal to renew shall become effective. The notice shall state the specific reason or reasons of the insurer for cancellation or refusal to renew;
- (v.) 40 P.S. §991.2008(b), requires any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Commissioner that he review the action of the insurer in refusing to write a policy for the applicant;
- (vi.) 40 P.S. §1171.5(a)(9)(ii), prohibits any cancellation or refusal to renew to become effective in a period of less than thirty days from the date of delivery or mailing;
- (vii.) 40 P.S. §1171.5(a)(9)(iii), requires that a cancellation notice shall state the specific reason or reasons of the insurer for cancellation or refusal to renew;

(viii.) 40 P.S. §1171.5(a)(11), requires a company to maintain a complete record of all the complaints it has received during the preceding four years;

(ix.) 31 Pa. Code §59.9(b), requires an insurer give at least 30 days notice of termination and give that notice no later than the 60th day;

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Violations of 40 P.S. §§991.2006(1), 991.2006(2), 991.2006(3), and 991.2008(b) (relating to motor vehicles) of 40 P.S. are punishable by the following, under Section 991.2013: Any individual or insurer who violates any of the provisions of this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000).

- (c) Respondent's violations of 40 P.S. §§1171.5(a)(9)(ii), 1171.5(a)(9)(iii), and 1171.5(a)(11) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):
- (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.
- (d) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Ten Thousand Dollars (\$10,000.) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made to the Commonwealth of Pennsylvania. Payment should be directed to Paul E. Townsen III, Pennsylvania Insurance Department, Office of Market Regulation, RE: Bureau of Market Actions, 1209 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.
- (d) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (e) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not

limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

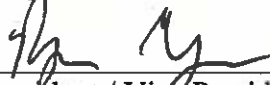
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.


BY: CSAA GENERAL INSURANCE COMPANY
Respondent



President / Vice President



Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of CSAA General Insurance Company, hereinafter referred to as “Company” was conducted in the office of the Pennsylvania Insurance Department beginning on August 6, 2019. There was no onsite portion of the exam.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to “error ratio.” This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was declined by the Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

The following examiners participated in this examination and in preparation of this Report.

**Paul Towsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department**

**Vern Schmidt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department**

**Nanette Soliday, MCM
Market Conduct Examiner II
Pennsylvania Insurance Department**

**Joshua Gotwalt, MCM
Market Conduct Examiner I
Pennsylvania Insurance Department**

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted in the office of the Pennsylvania Insurance Department. There was no onsite portion of the exam. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2018, through December 31, 2018, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.

2. Personal Property
 - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.

3. Complaints

4. Underwriting Practices and Procedures

5. Forms

6. Data Integrity

7. MCAS Reporting

- Private Passenger Automobile
- Personal Property

III. COMPANY HISTORY

CSAA General Insurance Company was incorporated under the laws of California in June 1987 as Western United Insurance Company and began business in January 1990. CSAA Insurance Exchange acquired the company in June 1999. In December 2008 the company re-domesticated to Indiana. The company adopted its current name on July 1, 2014.

LICENSING

CSAA General Insurance Company's last Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2019. CSAA General Insurance Company is licensed to transact property and casualty insurance business in Arkansas, Arizona, California, Connecticut, Colorado, Delaware, District of Columbia, Idaho, Indiana, Kansas, Kentucky, Montana, New York, New Jersey, Maryland, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Utah, Virginia, Washington, West Virginia, and Wyoming. The Company's 2018 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$71,482,190. Premium volume related to the areas of this review were: Homeowners Multiple Peril \$10,515,184. Other Private Passenger Auto Liability \$35,151,250; and Private Passenger Auto Physical Damage \$24,621,199.

IV. UNDERWRITING

A. Private Passenger Automobile

1. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

The universe of nine private passenger automobile policies which were nonrenewed during the experience period was selected for review. All nine files requested were received and reviewed. The following violations were noted. The two violations noted were based on two files, resulting in an error ratio of 22%.

The following findings were made:

2 Violations 40 P.S. §991.2006(3)

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (3) State the specific reason or reasons of the

insurer for cancellation or refusal to renew. The Company failed to provide a specific reason of nonrenewal for the two files noted.

2. Mid-term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 5,596 private passenger automobile policies which were cancelled during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The following violations were noted. The 31 violations noted were based on 21 files, resulting in an error ratio of 21%.

The following findings were made:

13 Violations 40 P.S. §991.2006(1)

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (1) Be in a form acceptable to the Insurance

Commissioner. The Company failed to have a cancellation form that is acceptable to the Commissioner for the 13 files noted.

18 Violations 40 P.S. §991.2006(2)

Proper notification of intention to cancel. A cancellation or refusal to renew by an insurer of a policy of automobile insurance shall not be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall: (2) State the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation or refusal to renew shall become effective.

When the policy is being cancelled or not renewed for the reasons set forth in Section 2004(1) and (2). However, the effective date may be fifteen (15) days from the date of mailing or delivery. The Company failed to provide 15 days mailing notice prior to the cancellation effective date for the 18 files noted.

General Violation 40 P.S. §991.2006(2)

The Company issued a notice of cancellation following insured request. The notice that was issued did not provide 60 days mailing notice prior to the cancellation effective date.

3. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. These files were also reviewed for compliance with Act 68, Section 2002(c)(3) 40 P.S. §991.2002(c)(3), which requires an insurer who cancels a policy of automobile insurance in the first 60 days, to supply the insured with a written statement of the reason for cancellation.

From the universe of 197 automobile policies that were cancelled within the first 60 days of new business, 50 files were selected for review. All 50 files requested were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 2%.

The following findings were noted.

1 Violation 40 P.S. §991.2008(b)

Any applicant for a policy who is refused such policy by an insurer shall be given a written notice of refusal to write by the insurer. Such notice shall state the specific reason or reasons of the insurer for refusal to write a policy for the applicant. Within 30 days of the receipt of such reasons, the applicant may request in writing to the Insurance Commissioner that he review the action of the insurer in refusing to write a policy for the applicant. The Company failed to provide a specific reason for cancellation on the file noted.

General Violation 40 P.S. §991.2006(2)

The Company issued a notice of cancellation following an insured request. The notice that was issued did not provide 15 days mailing notice prior to the cancellation effective date.

Note: When an insured has requested the cancellation of a policy, a notice of cancellation is sent to the insured. A notice of cancellation has requirements that must be met. A confirmation of cancellation does not have requirements and is a more suitable form for confirming an insured request of cancellation.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited.

The Company did not report any private passenger automobile declinations for the experience period.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. The review also

determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

The universe of two private passenger automobile policies identified by the Company as rescissions during the experience period were selected for review. Both files requested were received and reviewed. There were no violations noted.

B. Property

1. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

The universe of three property policies which were nonrenewed during the experience period was selected for review. The property files consisted of three homeowners. All three files were received and reviewed. There were no violations noted.

2. Mid-term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 992 property midterm cancellations, 150 files were selected for review. The property files consisted of 75 homeowners and 75 tenant homeowners. All 150 files requested were received and reviewed. The two violations noted were based on two files, resulting in an error ratio of 1%.

The following findings were noted:

General Violation 40 P.S. §1171.5(a)(9)(ii)

“Unfair Methods of Competition” and “Unfair or Deceptive Acts of Practices” in the business of insurance means: (9) Canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due whether such

premium is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured either at the address shown in the policy or at a forwarding address. (ii) - State the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. The Company issued a notice of cancellation following an insured request. The notice that was issued did not provide 30 days mailing notice prior to the cancellation effective date.

2 Violations 40 P.S. §1171.5(a)(9)(iii)

“Unfair Methods of Competition” and “Unfair or Deceptive Acts of Practices” in the business of insurance means: (9) Canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due whether such premium

is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured either at the address shown in the policy or at a forwarding address. (iii) State the specific reason or reasons of the insurer for cancellation or refusal to renew. The Company failed to provide a specific reason for cancellation for the two files noted.

3. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days notice of the termination.

From the universe of 185 property policies, which were cancelled in the first 60 days of new business, 75 files were selected for review. The property policies consisted of 50 homeowners and 25 tenant homeowners. All 75 files requested were received and reviewed.

The following findings were noted:

General Violation 31 Pa. Code §59.9(b)

Nonapplicability of the Acts. The period of 60 days referred to in Section 5(a)(9) and (c)(3) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(9) and (c)(3)) is intended to provide to insurers a reasonable period of time, if desired, to investigate thoroughly a particular risk while extending coverage during the period of investigation. An insurer may cancel the policy provided it gives at least 30 days notice of the termination and provided it gives notice no later than the 60th day. The insurer's decision to cancel during this 60-day period must not violate Section 5(a)(7)(iii) of the Unfair Insurance Practices Act. The Company issued a notice of cancellation following an insured request. The notice that was issued did not provide 30 days mailing notice prior to the cancellation effective date.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices.

The Company did not report any private passenger automobile declinations for the experience period.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

The primary purpose of the review was to determine compliance with Act 205, which establishes conditions under which action by the insurer is prohibited. The review also determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*. There were no violations noted.

V. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 75 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 75 complaint files, 15 files were selected for review. All 15 files requested were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c).

The following findings were made:

1 Violation 40 P.S. §1171.5(a)(11)

Failure of any person to maintain a complete record of all the complaints which it had received during the preceding four years. This shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. For purposes of this paragraph, “complaint” means any written communication primarily expressing a grievance. The Company failed to maintain a complete record of all complaints

received by the Company from the Department during the experience period.

The following synopsis reflects the nature of the 15 complaints that were received.

5	Cancellation / Nonrenewal	34%
1	Declinations	6%
5	Claims Related	34%
<u>4</u>	<u>Rates</u>	<u>26%</u>
15		100%

VI. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Underwriting guides and supplements were furnished for private passenger automobile. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. There were no violations noted.

VII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting files were reviewed to verify compliance with 75 Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms. There were no violations noted.

VIII. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam. The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act of 1921, Section 904(b) (40 P.S. §323.4(b)).

The following finding was noted:

Property – Midterm cancellations

Situation: The Company was asked to provide a list of all property midterm cancellations. As the examiners reviewed the midterm cancellation files, it was noted that not all files were cancelled after the first 60 days.

Finding: Of the 150 files reviewed, nine files were identified as a 60 day cancellations.

General Violation 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The violation was the result of a

failure to exercise sufficient due diligence to ensure compliance with Insurance Department Act of 1921.

IX. PRIVATE PASSENGER AUTOMOBILE MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2018.

The examination team reviewed the Company’s 2018 MCAS Submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the private passenger automobile sections that were reviewed.

A.	Number of autos which have policies in-force at the end of the period.
B.	Number of Policies in-force at the end of the period.
C.	Number of new business policies written during the period.
D.	Number of Company-Initiated nonrenewals during the period.
E.	Dollar amount of direct written premium during the period.
F.	Number of cancellations for non-pay, non-sufficient funds or insured’s request.
G.	Number of Company-Initiated cancellations that occur in the first 59 days after effective date, excluding rewrites to an affiliated Company.
H.	Number of Company-Initiated cancellations that occur 60 or more days after effective date, excluding rewrites to an affiliated Company.
I.	Number of Complaints received directly from the consumer.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2018 MCAS filing. Each list contained the claim and policy numbers for each category. The 2018 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC. There were no violations noted.

Phase 2

The Company was asked to provide a record of all claims and policy data listings which supported the 2018 MCAS filings. From each universe list of 2018 data, a random sample of five claims or underwriting files was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. There were no violations noted.

Phase 3

A review was performed on various claims and underwriting files provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations. There were no violations noted.

X. PROPERTY MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2018.

The examination team reviewed the Company’s 2018 MCAS Submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the property sections that were reviewed.

A.	Number of dwellings which have policies in-force at the end of the period.
B.	Number of policies in-force at the end of the period.
C.	Number of new business policies written during the period.
D.	Dollar amount of direct written premium during the period.
E.	Number of Company-initiated nonrenewals during the period.
F.	Number of cancellations for non-pay, nonsufficient funds or insured’s request.
G.	Number of Company-Initiated cancellations that occur in the first 59 days after effective date, excluding rewrites to a related Company.
H.	Number of Company-Initiated cancellations that occur 60 or more days after effective date, excluding rewrites to a related Company.
I.	Number of Complaints received directly from the consumer.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2018 MCAS filing. Each list contained the claim and policy numbers for each category. The 2018 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC.

The following findings were noted.

1 Violation 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide 2018 Homeowner data that was consistent with the information provided to the NAIC for one underwriting category.

Phase 2

The Company was asked to provide a record of all claims and policy data listings which supported the 2018 MCAS filings. From each universe list of 2018 data, a random sample of five claims was requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were noted

3 Violations 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to

all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for three underwriting categories.

Phase 3

A review was performed on various claims and underwriting files provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were made:

2 Violations 40 P.S. §323.4(b)

Requires every company or person from whom information is sought must provide to the examiners timely, convenient and free access to all books, records, accounts, papers, documents and any or all computer or other recordings relating to the property, assets, business and affairs of the company being examined. The Company failed to provide accurate data for two underwriting categories.

XI. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.4(b), so that violations noted in the Report do not occur in the future.
2. The Company must review 40 P.S. §1171.5(a)(11) to ensure that a complete complaint log is maintained.
3. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notice requirements of 40 P.S. §§991.2006 and 991.2008, so that the violations noted in the Report do not occur in the future.
4. The Company must ensure it issues notices of cancellations with the proper number of days notice in compliance with 31 Pa. Code 59.9(b), so that the violation noted do not occur in the future.
5. The Company must review 40 P.S. §1171.5(a)(9)(ii) to ensure that if it issues a notice of cancellation following an insured request that it allows the proper number of days notice. **Note:** There is no requirement to send a notice of cancellation following an insured request. A confirmation notice would confirm cancellation and has no statutory requirements.

6. The Company must review 40 P.S. §1171.5(a)(9)(iii) to ensure that if it provides a specific reason for cancellation on the notice issued, so that the violation noted does not occur in the future.

XII. COMPANY RESPONSE



CSAA General Insurance Company
3055 Oak Road
Walnut Creek, CA 94597

Sent via e-mail

January 30, 2020

Paul Towson
Property & Casualty Market Conduct Division Chief
Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120

RE: Report of Examination, 19-M42-016

Dear Mr. Towson:

CSAA General Insurance Company ("The Company") has reviewed and considered the Report of Examination and provides the following responses to the Department's recommendations (Section XI) below:

1. With regard to data controls, the Company's data analytics team has added notes to the policy data program to ensure that future data populations will align with the Department's requirements. Regarding MCAS data, the Company is initiating a quarterly internal reporting function that will provide periodic checkpoint opportunities to validate pertinent data points prior to the annual MCAS submission.
2. The Company reviewed the circumstances regarding the complaint in question and has updated our procedures to provide for proper documentation of the outcome of complaints involving the local AAA Club(s).
3. The Company corrected programming issues that resulted in some notices of cancellation for non-payment to have been mailed within an incorrect timeframe.
- 4 & 5. The Company will implement the Department's recommendation and discontinue the issuance of a cancellation notice for insured-requested cancellations and instead provide a confirmation of cancellation. The request has been submitted to the IT Department and the new correspondence is currently under development.
6. The process of issuing Company-initiated cancellation notices requires some manual input of information of the cancellation reason(s) by the Underwriting

service team. Updated training and reinforcement of requirements is being provided to the pertinent underwriting staff.

The Company would like to thank you and your exam team for your courtesy and professionalism throughout the examination, and we appreciate this opportunity to respond to the Department's findings and recommendations. If you have any questions please do not hesitate to contact me at the telephone number or e-mail address listed below.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tony Campilongo', with a stylized flourish at the end.

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