



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**INTEGON GENERAL
INSURANCE CORPORATION**
WINSTON-SALEM, NC

As of: September 21, 2021
Issued: October 14, 2021

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



PENNSYLVANIA INSURANCE DEPARTMENT
EXAMINATION VERIFICATION

I, _____, _____ from
(Name of Examiner) (Title of Examiner)

_____ certify that I was the Examiner-In-Charge of the Report of
(Name of Vendor/Department)

Examination of _____ made as of _____.
(Name of Examined Company) (Date)

The last date of examination file review was _____ and the written Report
(Date)

of Examination was reviewed and accepted by the _____
(Chief of Market Conduct Examiner)

on _____.
(Date)

I have reviewed the completed written Report of Examination and certify that the facts and figures recited
therein are true and accurate, according to the records, documents and other evidence obtained during the
course of the examination.

(Examiner-in Charge)

(Name of Vendor/Department)

(Address of Vendor/Department)

Joshua Gotwalt
(Examiner in Charge Signature)

(Date)

IN ORDER TO SATISFY SECTION 40 P.S. § 323.5(b), THAT PROVIDES FOR NO LONGER THAN
SIXTY (60) DAYS FROM THE COMPLETION OF THE EXAMINATION, THE EXAMINER IN
CHARGE SHALL FILE WITH THE DEPARTMENT A VERIFIED WRITTEN REPORT OF
EXAMINATION UNDER OATH.

INTEGON GENERAL INSURANCE CORPORATION
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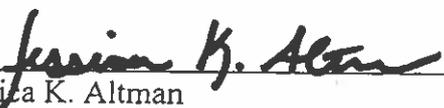
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 28th 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

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 Integon General Insurance Corporation, and maintains its address at 5630 University Parkway, Winston-Salem, NC 27105.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the experience period from January 1, 2020 through December 31, 2020.
- (c) On September 21, 2021, the Insurance Department issued a Market Conduct Examination Report to Respondent.

- (d) A response to the Examination Report was provided by Respondent on October 4, 2021.

- (e) The Market Conduct Examination of Respondent revealed violations of the following:
 - (i) 40 P.S. §323.3(a), requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business, and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth;

 - (ii) 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;

 - (iii) 40 P.S. §1184(a)&(h), requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating

plan and every modification of any rating plan which it proposes to use in this Commonwealth and prohibits an insurer from making or issuing a contract or policy with rates other than those approved;

- (iv) 18 Pa. C.S. §4117(k)(1), states any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties;
- (v) 31 Pa. Code §62.3, requires that an appraisal shall meet all applicable standards per statute;
- (vi) 31 Pa. Code §62.3(e)(7), states the appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion;
- (vii) 31 Pa. Code §69.22(c), requires the insurer, when an insured's first-party limits have been exhausted, to provide notice to the provider and the insured within 30 days of the receipt of the provider's bill;

- (viii) 31 Pa. Code §69.52(e), requires an insurer to provide copies of the Peer Review Organization's written analysis to the provider and the insured within 5 days of receipt;
- (ix) 31 Pa. Code §146.3, requires the claim files of the insurer shall be subject to examination by the Commissioner or by his/her appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed;
- (x) 31 Pa. Code §146.5(d), states that an insurer, upon receiving notification of a claim, shall provide within ten working days necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with policy conditions and reasonable requirements of the insurer;
- (xi) 31 Pa. Code §146.6, states that if an investigation cannot be completed within thirty (30) days, and every forty-five (45) days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected;
- (xii) 31 Pa. Code §146.7(a)(1), requires within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer;

- (xiii) 75 Pa. C.S. §1705(a)(4), requires every insurer, prior to the first issuance of a private passenger motor vehicle liability insurance policy to provide each applicant with the notice required by paragraph (1). A policy may not be issued until the applicant has been provided an opportunity to elect a tort option. The notice shall be standardized form as adopted by the Commissioner;
- (xiv) 75 Pa. C.S. §1731(b) & (c)(c.1), requires that the named insured shall be informed that uninsured and underinsured motorist coverage may be rejected by signing and dating a written rejection form;
- (xv) 75 Pa. C.S. §1738(d)(1) & (2)(e), requires the named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms;

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. §§991.2008(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) Violations of Section 4 of the Casualty and Surety Rate Regulatory Act, No. 246 (40 P.S. §1184(a)&(h)) are punishable under Section 16 of the Act:
 - (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such willful violation;
 - (ii) suspension of the license of any insurer which fails to comply with an Order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

- (d) Respondent's violations of 31 Pa. Code §§146.3, 146.5(d), 146.6 and 146.7(a)(1) are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (e) 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 Nine Thousand Dollars (\$9,000.00) 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 Townsen, Insurance Department, 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

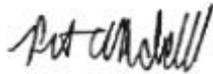
and Conclusions of Law contained herein.

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: INTEGON GENERAL INSURANCE
CORPORATION
Respondent



President / Vice President



Secretary / Treasurer



DAVID BUONO
Deputy Insurance Commissioner (Acting)
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination of Integon General Insurance Corporation, hereinafter referred to as “Company”, was conducted at the Pennsylvania Insurance Department beginning January 13, 2021. 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 conducted with 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 Townsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Joshua Gotwalt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department

Nanette Soliday, MCM
Market Conduct Examiner II
Pennsylvania Insurance Department

David Kelly, MCM
Market Conduct Examiner I
Pennsylvania Insurance Department

Mitchell Ristine, JD, AIE, MCM
Senior Examiner
Examination Resources, LLC

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Integon General Insurance Corporation, at the Pennsylvania Insurance Department, located in Harrisburg, Pennsylvania. 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, 2020, through December 31, 2020, 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.
 - Rating - Proper use of all classification and rating plans and procedures.
2. Claims
3. Anti-Fraud Compliance
4. Complaints
5. Underwriting Practices and Procedures
6. Forms
7. Data Integrity

III. COMPANY HISTORY

Integon General Insurance Corporation (“IGIC” or “Company”) is an indirect wholly owned subsidiary of National General Holdings Corp. (“NGHC”), a Delaware corporation and insurance holding company. On January 4, 2021, NGHC and its subsidiaries were acquired by The Allstate Corporation (“Allstate”). As a result of the acquisition, NGHC and its subsidiaries, including IGIC, are now wholly owned subsidiaries of Allstate. IGIC was incorporated in North Carolina on December 30, 1960, and is licensed in 23 states, including Pennsylvania. The Company primarily provides private passenger and commercial auto insurance. IGIC was licensed to do business in Pennsylvania on October 9, 1987.

LICENSING

Integon General Insurance Corporation’s last Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2021. Integon General Insurance Corporation is licensed to transact private passenger and commercial automobile insurance business in twenty-three states. The Company’s 2019 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$37,805,659. Premium volume related to the areas of this review were: Private Passenger Automobile No-Fault (Personal Injury Protection) \$4,356,152; Other Private Passenger Auto Liability \$18,314,678; and Private Passenger Auto Physical Damage \$10,787,594.

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.

From the universe of 2,390 private passenger automobile policies which were nonrenewed during the experience period, 50 files were selected for review. All 50 files requested 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 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 6,504 private passenger automobile policies which were cancelled during the experience period, 100 files were selected for review. All 100 files requested were received and reviewed. There were no violations noted.

3. 60-Day Cancellations

A 60-day cancellation is 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 4,063 automobile policies that were cancelled within the first 60 days of new business, 75 files were selected for review. All 75 files requested were received and reviewed. There were no violations noted.

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 universe of one declination for private passenger auto insurance was selected for review. The file requested was received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 100%.

The following finding was 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 the refusal to write for the file noted.

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 30 private passenger automobile policies that were identified by the Company as rescissions during the experience period was

selected for review. All 30 files requested were received and reviewed.
There were no violations noted.

V. RATING

A. Private Passenger Automobile

1. New business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with all provisions of the Motor Vehicle Financial Responsibility Law (75 Pa. C.S. §§1701 – 1799.7) and Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company uses an automated system to process and issue personal automobile policies. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the

examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile Rating – New Business without Surcharges

From the universe of 9,523 private passenger automobile policies identified as new business without surcharges by the Company, 75 files were selected for review. All 75 files requested were received and reviewed. The 14 violations noted were based on 12 files, resulting in an error ratio of 16%.

The following findings were made:

7 Violations 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to retain a copy of the new business application for the seven files noted.

5 Violations 75 Pa. C.S. §1705(a)(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy

may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company failed to provide a signed and dated limited tort form for the five files noted.

1 Violation 75 Pa. C.S. §1731(b)&(c)(c.1)

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to have a signed and dated rejection form for uninsured and underinsured motorists coverages for the file noted.

1 Violation 75 Pa. C.S. §1738(d)(1)&(2)(e)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to provide the signed and dated rejection form of stacked limits for uninsured and underinsured motorists coverage for the file noted.

Private Passenger Automobile Rating – New Business with Surcharges

From the universe of 7,192 private passenger automobile policies identified as new business with surcharges by the Company, 50 files were selected for review. All 50 files requested were received and reviewed. The five violations noted were based on four files, resulting in an error ratio of 8%.

The following findings were made:

2 Violations 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documents and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to retain a copy of the new business application for the two files noted.

1 Violation 75 Pa. C.S. §1705(a)(4)

Requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy to provide each applicant an opportunity to elect a tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option. The Company failed to provide a signed and dated limited tort form for the file noted.

1 Violation 75 Pa. C.S. §1731(b)&(c)(c.1)

The named insured shall be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form. The Company failed to have a signed and dated rejection form for uninsured and underinsured motorists coverages for the file noted.

1 Violation 75 Pa. C.S. §1738(d)(1)&(2)(e)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to provide the signed and dated rejection form of stacked limits for uninsured and underinsured motorists coverage for the file noted.

2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The primary purpose of the review was to measure compliance with The Casualty and Surety Rate Regulatory Act, Section 4(a) and (h) (40 P.S. §1184(a), (h)), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68 of 1998, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed

correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile Rating – Renewal without Surcharges

From the universe of 16,046 private passenger automobile policies identified as renewals without surcharges, 100 files were selected for review. All 100 files requested were received and reviewed. The three violations noted were based on three files, resulting in an error ratio of 3%.

The following findings were made:

3 Violations 40 P.S. §1184(a)&(h)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to issue policies in accordance with the Company's filed and approved rating plan. The Company used incorrect tenure factor in the Underwriting, Points, Youthful Driver. The Company used incorrect factor in Vehicle Model Year which resulted in undercharges for the three files noted.

Private Passenger Automobile Rating – Renewal with Surcharges

From the universe of 10,384 private passenger automobile policies identified as renewals with surcharges, 75 files were selected for review. All 75 files requested were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 1%.

The following findings were made:

1 Violation 40 P.S. §1184(a)&(h)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. The Company failed to issue policies in accordance with the Company's filed and approved rating plan. The Company used incorrect tenure factor in the Underwriting, Points, Youthful Driver. The Company used incorrect factor in Vehicle Model Year which resulted in an undercharge for the file noted.

VI. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Automobile First Party Medical Claims Referred to a PRO

The primary purpose of the review was to determine compliance with 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(10)(vi)).

A. Automobile Property Damage Claims

From the universe of 2,915 private passenger automobile property damage claims reported during the experience period, 65 files were selected for review. Of the 65 files selected for review three files were found to be total loss claims. The six violations noted were based on six files, resulting in an error ratio of 9%.

The following findings were made:

3 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute. The Company failed to provide an appraisal that meets all applicable standards per statute for the three claims noted.

3 Violations 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the three claims noted.

The following concern was noted:

CONCERN: In some files reviewed, the Company did not issue the policyholder/claimant a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without payment, issue a written notice to the policyholder/claimant indicating the file is being closed with no payment.

B. Automobile Comprehensive Claims

From the universe of 529 private passenger automobile comprehensive claims reported during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. The three violations noted were based on three files, resulting in an error ratio of 8%.

The following findings were made:

3 Violations 31 Pa. Code §62.3

An appraisal shall meet all applicable standards per statute.

The Company failed to provide an appraisal that meets all applicable standards per statute for the three claims noted.

The following concern was noted:

CONCERN: In some files reviewed, the Company did not issue the policyholder/claimant a written notice indicating it was closing the file without payment. The Company should, in all cases of claims closed without payment, issue a written notice to the policyholder/claimant indicating the file is being closed with no payment.

C. Automobile Collision Claims

From the universe of 1,295 private passenger automobile collision claims reported during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. The five violations noted were based on four files, resulting in an error ratio of 8%.

The following findings were made:

1 Violation 31 Pa. Code §146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The Company failed to provide a complete file for the claim noted.

3 Violations 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the three claims noted.

1 Violation 31 Pa. Code §146.7(a)(1)

Acceptance or denial of a claim shall comply with the following: Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The denial shall be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial. The Company failed to communicate the claim denial in writing for the claim noted.

D. Automobile Total Loss Claims

From the universe of 821 private passenger automobile total loss claims reported during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. The 17 violations noted were based on 16 files, resulting in an error ratio of 40%.

The following findings were made:

6 Violations 31 Pa. Code §62.3(e)(7)

The appraiser is responsible for ensuring that a copy of the total loss evaluation report be sent within 5 working days to the consumer by the appraiser after the appraisal is completed. If a settlement offer is extended before the consumer receives the total loss evaluation report, the consumer shall be advised of the total loss evaluation report's contents and of the consumer's right to be sent a copy within 5 days after its completion. The Company failed to provide a copy of the total loss evaluation to the insured within 5 working days for the six claims noted.

11 Violations 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 11 claims noted.

E. Automobile First Party Medical Claims

From the universe of 1,358 private passenger automobile first party medical claims reported during the experience period, 35 claim files were selected for review. All 35 files requested were received and reviewed. The five violations noted were based on five files, resulting in an error ratio of 14%.

The following findings were made:

4 Violations 31 Pa. Code §69.22(c)

States that if an insured's first-party limits have been exhausted, the insurer shall, within 30 days of receipt of the provider's bill, provide notice to the provider and the insured that the first-party limits have been exhausted. The Company failed to provide notice to the provider that first-party limits have been exhausted for the four claims noted.

1 Violation 31 Pa Code §146.5(d)

Every insurer, upon receiving notification of claim, shall provide within 10 working days necessary claim forms, instructions, and reasonable assistance so that first-party claimants can comply with the policy conditions and reasonable requirements of the insurer. The Company failed to provide the necessary claim forms, within 10 working days of claim notification, for the claim noted.

F. Automobile First Party Medical Claims Referred to PRO

From the universe of 32 automobile first party medical claims that were referred to a peer review organization by the Company, all 32 files were selected for review. The Company was also asked to provide a copy of all

peer review contracts in place during the experience period. The 16 violations noted were based on 16 files, resulting in an error ratio of 76%.

The following findings were made:

16 Violations 31 Pa. Code §69.52(e)

A PRO shall provide a written analysis, including specific reasons for its decision, to insurers, which shall within 5 days of receipt, provide copies to providers and insureds. The Company failed to provide copies of the PRO report to providers and insureds within 5 days of receipt for the 16 claims noted.

VII. ANTI-FRAUD COMPLIANCE

The Anti-Fraud plan for Integon General Insurance Corporation was filed and reviewed. The plan is accepted and filed with the Pennsylvania Insurance Department. Antifraud plans and reports which insurers file with the department and any reports or materials related to such reports are not public records and shall not be subject to public inspection. Please note that future changes to the plan shall be filed with the department within 30 days of modification. The primary purpose of the review was to determine compliance with all provisions of the Motor Vehicle Insurance Fraud Law (75 Pa. C.S. §§1801-1826). Files were also reviewed to determine compliance of the Company reporting claims involving suspected fraud to law enforcement, when required, under 75 Pa. C.S. §1817.

A. Auto Claims Suspected of Fraud Not Referred to Law Enforcement

From the universe of 20 private passenger automobile claims suspected of fraud not referred to Law Enforcement, 20 files were selected for review. All 20 files requested were received and reviewed. There were no violations noted.

B. Auto Claims Suspected of Fraud Referred to Law Enforcement

From the universe of 18 private passenger automobile claims suspected of fraud referred to Law Enforcement, 18 files were selected for review. All 18 files requested were received and reviewed. There were no violations noted.

VIII. 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 62 consumer complaints received during the experience period and provided all consumer complaint logs requested. From the universe of 62 complaint files, 35 files were selected for review. All 35 files requested were received and reviewed. There were no violations noted.

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 synopsis reflects the nature of the 35 complaints that were received.

18	Cancellation/Nonrenewal	51%
14	Claims Related	40%
2	Agency Conduct	6%
1	Underwriting	3%
<hr/> 35		<hr/> 100%

IX. 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.

Memos and underwriting rule guides were furnished for the Company. 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.

X. 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 and claim files were also 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.

The following findings were made:

3 Violations 18 Pa. C.S. §4117(k)(1)

All applications for insurance and all claim forms shall contain or have attached there to the following notice: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such

person to criminal and civil penalties. The Company failed to include the required fraud warning notice on three forms.

CONCERN: The Company should use the fraud warning under 18 Pa. C.S. §4117(k)(1), “Any person who knowingly, and with intent to defraud any insurance company or other person files an application for insurance or Statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”, on all claim forms. The Company was using the fraud warning from 75 Pa. C.S. §1822 on the following items:

Property Damage Release

Appraisals

Total Loss Power of Attorney

Application for Benefits – PIP Notice

Affidavit – PIP Benefit Eligibility

Authorization for Release of Medical Records

PIP Benefits/ App for Benefits Letter

XI. 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. §323.3(a)).

The data integrity issue of each area of review is identified below.

PPA Property Damage Claims

Situation: As the examiners reviewed the property damage claim files of the claims section of the exam, it was noted that not all 65 files were Property Damage claims.

Finding: Of the 65 property damage claims reviewed, three policies were identified as Total Loss Claims.

The following finding was made:

General Violation 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documentations and any or all computer or

other recordings relating to its property, assets, business and affairs in such manner and for such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The violation was the result of a failure to exercise sufficient due diligence to ensure compliance with the Insurance Department Act of 1921.

XII. 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 review 18 Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all claim forms, as noted in the Report, do not occur in the future.
2. Company must review 31 Pa. Code §62.3 with its claim staff to ensure all appraisal requirements are met so the violations noted in the Report do not occur in the future.
3. The Company must review 31 Pa. Code §62.3 (e)(7) with its claim staff to ensure a copy of the total loss evaluation is provided to the insured within 5 working days so the violations noted in the Report do not occur in the future.
4. The Company must review 31 Pa. Code §69.22(c) with its claim staff to ensure that a notice is sent to the provider that first-party benefits were exhausted instead of just having a statement on the explanation of benefits, the so the violations noted in the report, do not occur in the future.
5. The Company must review 31 Pa. Code §69.52(e) with its claim staff to ensure that the insured is provided a copy of a PRO evaluation in a timely manner.

6. The Company must review 31 Pa Code §146.3 with its claim staff to ensure the claims department maintains complete claim files.
7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to claim forms, status letters and acceptance and denials, as noted in the Report do not occur in the future.
8. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.
9. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notice requirements of 40 P.S. §991.2008(b), so that the violations noted in the Report do not occur in the future.
10. The Company must review 40 P.S. §1184 and take appropriate measures to ensure the automobile rating violations listed in the report do not occur in the future.
11. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed and dated tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1705(a)(4) do not occur in the future.

12. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage and that signed and dated waiver forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1731(b) & (c)(c.1) do not occur in the future.

13. The Company must revise underwriting procedures to ensure that the insured is aware that he/she may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by having signed and dated written rejection forms in the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) and (2)(e) do not occur in the future.

XIII. COMPANY RESPONSE



October 1, 2021

Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

ATTN: Paul Townsen III
P&C Market Conduct Division Chief

**Re: Examination Warrant Number: 21-M44-001
Integon General Insurance Corporation, NAIC #22780**

Dear Mr. Townsen:

Thank you for your September 21, 2021 email containing the Report of Examination of Integon General Insurance Corporation. Please accept the following as the Company's follow up response to items in the report.

RECOMMENDATIONS

1. The Company must review 18 Pa. C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all claim forms, as noted in the Report, do not occur in the future.
Response: The fraud warning was updated on all claim forms on July 28, 2021.
2. Company must review 31 Pa. Code §62.3 with its claim staff to ensure all appraisal requirements are met so the violations noted in the Report do not occur in the future.
Response: A training session was held 9/30/2021, for all licensed claim staff to go over 31 Pa. Code §62.3 to ensure all appraisal requirements are met.
3. The Company must review 31 Pa. Code §62.3(e)(7) with its claim staff to ensure a copy of the total loss evaluation is provided to the insured within 5 working days so the violations noted in the Report do not occur in the future.
Response: A training session was held 9/30/2021, for all licensed claim staff to go over 31 Pa. Code §62.3 to ensure the importance of providing the total loss evaluation to the insured within 5 working days is understood.
4. The Company must review 31 Pa. Code §69.22(c) with its claim staff to ensure that a notice is sent to the provider that first-party benefits were exhausted instead of just having a statement on the explanation of benefits, so the violations noted in the report, do not occur in the future.
Response: Training and process rollout was completed on 9/30/2021 with all PIP staff and managers to ensure that a benefits exhaust letter is sent to the insured or their attorney representation, CC provider on the date of the benefits are exhausted.
5. The Company must review 31 Pa. Code §69.52(e) with its claim staff to ensure that the insured is provided a copy of a PRO evaluation in a timely manner.

Response: Training was completed 7/14/2021 with all PIP staff and managers to ensure that the insured is provided a copy of a PRO evaluation in a timely manner. A best practices reminder was completed on 8/20/2021 and a training refresher was completed on 9/30/2021.

6. The Company must review 31 Pa Code §146.3 with its claim staff to ensure the claims department maintains complete claim files.

Response: Training sessions will be held and must be completed by 10/31/2021, which will reiterate that a claim file is complete with all documentation.

7. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to claim forms, status letters and acceptance and denials, as noted in the Report do not occur in the future.

Response: Training sessions will be held and must be completed by 10/31/2021 to ensure the compliance.

8. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.

Response: An issue with the total loss indicator in our data warehouse was discovered. This issue was fixed the beginning of September 2021. The data was pulled again to confirm that the fix corrected the issue with the claims not being identified initially.

9. The Company must review and revise internal control procedures to ensure compliance with nonrenewal and cancellation notice requirements of 40 P.S. §991.2008(b), so that the violations noted in the Report do not occur in the future.

Response: This was one policy where the reason was not specific for the action taken. We are committed to ensuring that we follow the laws and provide the best service possible to our customers. Pennsylvania is an important state to us and we are reviewing our reasons and making modifications where needed.

10. The Company must review 40 P.S. §1184 and take appropriate measures to ensure the automobile rating violations listed in the report do not occur in the future.

Response: This issue was corrected effective 4/16/2021 for new business policies and 5/22/2021 for renewal policies with filing GMMX-132626320. All of the policies impacted were undercharged so there was no adverse impact to our policyholders. We are committed to ensuring that we follow the laws and provide the best service possible to our customers. Pennsylvania is an important state to us and we are taking your recommendation for additional oversight processes and measures to ensure this does not occur again under advisement.

11. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option and that signed and dated tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under 75 Pa. C.S. §1705(a)(4) do not occur in the future.

Response: Each applicant is provided the opportunity to elect a tort option at the time of application. Unfortunately, our independent agents do not always maintain the paperwork as required to do so. We issued a reminder to all of our independent



Re: *agents on 9/30/2021*
National General Assurance Company

12. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage and that signed and dated waiver forms are obtained and retained with the underwriting file. This is to ensure

Dear Mr. Gendron:
that violations noted under 75 Pa. C.S. §1731(b) & (c)(c.1) do not occur in the future.

Response: Each applicant is provided the opportunity to waive uninsured and underinsured motorist coverage at the time of application. Unfortunately, our independent agents do not always maintain the paperwork as required to do so. We

The first batch of refunds were made on February 8th. This consisted of refunds to 232 policyholders. Details for the refunds can be found in the attached Excel spreadsheet.
issued a reminder to all of our independent agents on 9/30/2021.
Should you need additional information please contact me at Robin.Lopez@ngic.com or 336-435-2612.

13. The Company must revise underwriting procedures to ensure that the insured is aware that he/she may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by having signed and dated written rejection forms in the

Sincerely,
is to ensure that violations noted under 75 Pa. C.S. §1738(d)(1) in the future.

Response: Each applicant is provided the opportunity to waive stacked limits for uninsured and underinsured motorist coverage at the time of application. Unfortunately, our independent agents do not always maintain the paperwork as required to do so. We issued a reminder to all of our independent agents on 9/30/2021.

Robin Lopez
Market Conduct Specialist
National General Holdings Corp

Should you need additional information please contact me at Robin.Lopez@ngic.com or 336-435-2612.

Sincerely,

A handwritten signature in black ink that reads "Robin Lopez".

Robin Lopez
Market Conduct Specialist
National General Holdings Corp.