



Report on

Market Conduct Examination

of the

Greenville Casualty Insurance Company

Greer, South Carolina

by Representatives of the

North Carolina Department of Insurance

as of

April 6, 2018

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Raleigh, North Carolina
April 6, 2018

Honorable Mike Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
Albemarle Building
325 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Raymond G. Farmer
Director of Insurance
South Carolina Department of Insurance
1201 Main Street, Suite 1000
Columbia, South Carolina 29201

Honorable Commissioner and Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

Greenville Casualty Insurance Company (NAIC #11128)
NAIC Exam Tracking System Exam Number: NC-NC131-24
Greer, South Carolina

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on November 13, 2017, and covered the period of January 1, 2015, through December 31, 2016, with analyses of certain operations of the Company being conducted through April 2, 2018. This action was taken due to the previous Report dated April 8, 2013, and a market analysis review on claims. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, and consisted of an examination of the Company's practices and procedures in marketing, underwriting, and claims. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for producers who were not appointed and/or licensed, for adjusters who were not licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 3 percent for claims; and 5 percent for all other areas reviewed. Sample sizes were generated using an Audit Command Language software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following areas:

Underwriting Practices – Private Passenger Automobile: The recoupment surcharge was calculated prior to the application of the airbag discount for medical payment coverage and Physical Damage premiums were not rounded as prescribed in the North Carolina Personal Auto Manual.

Claims Practices – Private Passenger Auto: First Party Physical Damage Claims – Excessive delay or less than fair and equitable handling of claims and failure to properly re-classify vehicles. Bodily Injury Claims – Failure to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies and failure to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking “Insurance Industry”, and then “Legislative Services” under “Other Divisions”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Private Passenger Automobile

Filings for this line of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for this line of business were made to the Department by the Company.

UNDERWRITING PRACTICES

Overview

The Company's marketing in North Carolina is directed to the personal lines of business. The Company provided the examiners with listings of the following type of active policies for the period under examination:

- Private Passenger Automobile

A random selection of 119 policies was made from a total population of 13,913. Each selected policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Private Passenger Automobile

The Company's private passenger automobile policies were written on an annual or semi-annual basis. Coverages were written utilizing manual and deviated rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company did not adhere to the provisions of NCGS 58-37-40(f) and the North Carolina Reinsurance Facility Standard Practice Manual, Section 3P1a(5) as the recoupment surcharge for 19 policies was calculated prior to the application of the airbag discount for medical payment coverage.

The Company did not adhere to the provisions of NCGS 58-36-30(a) and the North Carolina Personal Automobile Manual Rule 11 as the declarations page for 23 files displayed physical damage premiums that were not rounded.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed paid claims in the following areas: third party property damage, first party physical damage, bodily injury, and medical payment claims. Four hundred eighty-five claims were randomly selected for review from a population of 2,321.

Third Party Property Damage Claims

One hundred thirty-one third party property damage claims were randomly selected for review from a population of 1,258. The review of third party property damage claims revealed no apparent violations of the provisions of NCGS 58-63-15(11).

The following average payment time noted in calendar days was observed:

Type of Claim	Payment Time
Third Party Property Damage	15.0

First Party Physical Damage Claims

One hundred thirty-one first party physical damage claims were randomly selected for review from a population of 397. Two of the files were deemed to be invalid receipts.

The Company did not adhere to the provisions of NCGS 58-63-15(11)f, g, and h as nine claim files were noted to have the following errors:

- Extended Transportation claims were handled in a less than fair and equitable manner for two files reviewed.
- Four claims had the deductible or betterment charge applied incorrectly. Three of the four files required additional payments (\$57.02, \$162.00, \$540.00).
- Two claims reflected excessive delays in handling.

- Lack of good faith was exhibited when a claim file had instructions to the adjuster to deny the claim unless the claimant was represented by an attorney for one claim.

The Company did not adhere to the provisions of NCGS 58-36-30(a) and Rule 4(A) of the North Carolina Personal Auto Manual as 8 claims reflected vehicles that were misclassified. In each case the vehicle was classified as pleasure use (1A), but should have been re-classified as drive to and from work/school (1B or 1C) or possibly business use (3).

The following average payment time noted in calendar days was observed:

Type of Claim	Payment Time
First Party Physical Damage	9.0

Bodily Injury Claims

One hundred thirty-one bodily injury claims were randomly selected for review from a population of 574. The claim files were reviewed to determine compliance with the provisions of NCGS 58-63-15 for timeliness of payment, supporting documentation, and accuracy of payment.

The Company did not adhere to the provisions of NCGS 58-63-15(11) b and c as 27 claims revealed delays in claims handling for the following:

- The Company failed to act reasonably promptly on 13 files.
- The Company failed to adopt and implement reasonable standards for the prompt investigation on 14 files.

Medical Payments Claims

Ninety-two medical payments claims were selected for review from a population of 92. The review of automobile medical payment claims disclosed no apparent violations of the provisions of NCGS 58-63-15(11).

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

If medical payments coverage is provided on the policy, the Company must correctly calculate the recoupment surcharge by including the medpay premium after the application of the airbag discount. The Company must round all physical damage premiums as prescribed in the North Carolina Personal Auto Manual. The Company must act reasonably promptly to acknowledge, investigate, and settle claims arising from their insurance policies. The Company must correct the classification of any covered automobile if it is misclassified. The Company must adjust claims in a fair and equitable manner, with good faith, and apply any deductible and/or betterment charge correctly.

CONCLUSION

An examination has been conducted on the market conduct affairs of Greenville Casualty Insurance Company for the period January 1, 2015, through December 31, 2016, with analyses of certain operations of the Company being conducted through April 2, 2018.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of marketing, underwriting, and claims practices.

In addition to the undersigned, Patricia Murphy, AIC, ARM, MCM, Brooke Hinnant, MCM, North Carolina Market Conduct Senior Examiners, and Eshita Patel, North Carolina Market Conduct Examiner, participated in this examination.

Respectfully submitted,

Handwritten signature of Larry R. Cook in cursive script.

Larry R. Cook, CPCU, AU, ARe, ARM, AIM, AMIM,
AIAF, AAI, MCM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

Handwritten signature of Bill George in cursive script.

Bill George, CPCU, AIS, MCM
Assistant Chief Examiner
Market Regulation Division
State of North Carolina