

Report on

Market Conduct Examination

of the

North Carolina Farm Bureau Mutual Insurance Company  
Farm Bureau Insurance of N.C., Inc.

Raleigh, North Carolina

by Representatives of the  
North Carolina Department of Insurance

as of

May 27, 2021

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Raleigh, North Carolina  
May 27, 2021

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

Honorable Commissioner:

In accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a general examination has been made of the market conduct activities of the following entities:

**North Carolina Farm Bureau Mutual Insurance Company (NAIC #14842)**  
**Farm Bureau Insurance of N.C., Inc. (NAIC #10034)**  
NAIC Exam Tracking System Exam Number: NC-NC094-28  
Raleigh, North Carolina  
(hereinafter generally referred to as the Companies)

The examination was conducted 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**

This examination commenced on October 5, 2020, and covered the period of January 1, 2017, through December 31, 2019. Analyses of certain operations of the Companies were concluded during the Wrap-Up Conference which was held on April 5, 2021. All comments made in this report reflect conditions observed during the period of the examination.

The 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 consisted of an examination of the Companies' practices and procedures in policyholder treatment, marketing, underwriting, terminations, and claims. The findings and conclusions contained within the report are based solely 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% tolerance level for consumer complaints, producers/adjusters who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7% for claims; and 10% for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the companies.

## EXECUTIVE SUMMARY

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

*Marketing – Producer Terminations:* The Companies did not notify the Department within 30 days after the effective date of the termination.

*Underwriting and Rating – Private Passenger Automobile:* Not maintaining in file reliable proof of North Carolina residency or eligible risk status; motorcycle physical damage rates not filed. *Commercial Automobile:* Not obtaining and maintaining in file two forms of reliable proof of North Carolina residency or eligible risk status.

*Terminations – All lines:* Use of unfiled/unapproved termination forms. *Private Passenger Automobile Nonrenewals:* Form FS-4 not maintained in file.

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 <https://www.ncdoi.gov/insurance-industry/market-regulation>.

This examination identified various statutory violations. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

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

## POLICYHOLDER TREATMENT

### Consumer Complaints

The Companies' complaint handling procedures were reviewed to determine compliance with applicable North Carolina statutes and rules.

The Companies' complaint register for the period under examination was in compliance with provisions of Title 11 of the North Carolina Administrative Code (NCAC), Chapter 19, Section 0103.

The Companies' complaint register was reconciled with a listing provided by the Consumer Services Division of the Department. Fifty complaints from the Department's listing of 966 were selected for review. The distribution of complaints requiring a response to the Department is shown in the chart below.

<b>Type of Complaint</b>	<b>Total</b>
Claims	32
Underwriting	18
<b>Total</b>	<b>50</b>

The Companies' response to each complaint was deemed to be appropriate to the circumstances.

The average service time to respond to a Departmental complaint was three calendar days. A chart of the Companies' response time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	49	98.0
8 - 14	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>



### Privacy of Financial and Health Information

The Companies provided privacy of financial and health information documentation for the examiners' review. The Companies exhibited policies and procedures in place so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure. The Companies were found to be compliant with the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27.

## **MARKETING**

### Policy Forms and Filings

Policy forms and filings for the Companies were reviewed to determine compliance with appropriate North Carolina statutes and rules. The review was based on the following lines of business:

1. Private Passenger Automobile
2. Homeowners
3. Dwelling Fire
4. Commercial Automobile
5. Farmowners
6. Workers' Compensation

Filings for the private passenger automobile, homeowners, dwelling fire, and workers' compensation lines of business were made by the North Carolina Rate Bureau on behalf of the Companies. Filings for the commercial automobile line of business were made by the Insurance Services Office on behalf of the Companies. Filings for the farmowners line of business were made by the American Association of Insurance Services on behalf of the Companies. The Companies filed deviations with the Department for these lines of business.

### Producer Licensing

The Companies' procedures for appointment and termination of its producers were reviewed to determine compliance with the appropriate North Carolina statutes and rules.

The Companies provided the examiners with listings of 290 appointed and 255 terminated producers for the period under examination. Fifty appointed and 50 terminated producer files were randomly selected for review. All appointment forms reviewed were submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40. The Companies were deemed to be in violation of the provisions of NCGS 58-33-56(b) as the Department was not notified within 30 days after the effective date of the termination for seven of the terminated producer files reviewed (14.0% error ratio).

## **UNDERWRITING AND RATING**

### Overview

The Companies' marketing in North Carolina is directed to personal and commercial lines of coverage. The Companies provided the examiners with listings of the following types of active policies for the period under examination:

1. Private Passenger Automobile
2. Homeowners
3. Dwelling Fire
4. Commercial Automobile
5. Farmowners
6. Workers' Compensation

A random selection of 500 policies was made from a population of 303,727. Each 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 Companies provided a listing of 145,471 active policies issued during the period under examination. One hundred policies were randomly selected for review.

The Companies' private passenger automobile policies were written on a semi-annual basis. Coverages were written utilizing manual rates and deviated rates. Risk placement was

determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of its underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

The Companies were deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(e) as proof of North Carolina residency or eligible risk status was not maintained in the policy file for 12 of the active policies reviewed (12.0% error ratio).

The Companies were deemed to be in violation of the provisions of NCGS 58-40-30(a) as rates and rules for motorcycle physical damage were not filed with the Department for four of the active policies reviewed (4.0% error ratio). The remaining premiums charged were deemed correct.

#### Homeowners

The Companies provided a listing of 135,429 active homeowners policies issued during the period under examination. One hundred policies were randomly selected for review.

The Companies' homeowners coverages were written utilizing manual and deviated rates. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

The Companies were reminded of the provisions of the Multistate Homeowners Manual Rule 301(C) and NCGS 58-36-30(a) as five files (5.0% error ratio) contained rating errors which were the result of applying key factors that were incorrectly interpolated. The rating errors resulted in premium undercharges. The remaining premiums charged were deemed correct.

#### Dwelling Fire

The Companies provided a listing of 6,257 active dwelling fire policies issued during the period under examination. One hundred policies were randomly selected for review.

The Companies' dwelling fire coverages were written utilizing manual rates. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk. All premiums charged were deemed correct.

#### Commercial Automobile

The Companies provided a listing of 11,131 active commercial automobile policies issued during the period under examination. One hundred policies were randomly selected for review.

The Companies' commercial automobile coverage was written utilizing manual rates. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

The Companies were deemed to be in violation of the provisions of NCGS 58-2-164(c) as two forms of proof of North Carolina residency or eligible risk status were not obtained to verify eligibility for 46 active policies reviewed (46.0% error ratio).

The Companies were deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(e) as proof of North Carolina residency or eligible risk status was not maintained in the policy file for 54 active policies reviewed (54.0% error ratio).

The Companies were reminded of the provisions of NCGS 58-41-50(f) as one active policy reviewed was rated using an incorrect territory (1.0% error ratio). The rating error resulted in an undercharge of premium. The remaining premiums charged were deemed correct.

#### Farmowners

The Companies provided a listing of 1,870 active policies issued during the period under examination. Fifty policies were randomly selected for review.

The Companies' farmowners coverage was written utilizing manual rates. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

The Companies were reminded of the provisions of NCGS 58-41-50(f) as components of three active policies reviewed were rated incorrectly (6.0% error ratio). Individual farm buildings were rated incorrectly on two policies, and scheduled livestock was incorrectly rated on one policy. The rating errors resulted in three overcharges of premium. The examiners directed the companies to issue refunds in the amount of \$627.54, including interest, for the overcharges. The remaining premiums charged were deemed correct.

#### Workers' Compensation

The Companies provided a listing of 3,569 active policies issued during the period under examination. Fifty policies were randomly selected for review.

The Companies' workers' compensation coverage was written utilizing manual rates. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk.

## **TERMINATIONS**

### Overview

The Companies' termination procedures were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules. The review was based on the following lines of business:

1. Private Passenger Automobile
2. Homeowners
3. Dwelling Fire

4. Commercial Automobile
5. Farmowners
6. Workers' Compensation

Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable), and documentation of the policy file. A total of 191,231 policies were terminated during the period under examination. The examiners randomly selected 842 terminations for review.

#### Private Passenger Automobile Cancellations

One hundred cancelled private passenger automobile policies were randomly selected for review from a population of 86,660.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	83	83.0
Nonpayment of premium	17	17.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 83 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 17 policies stated the specific reason for cancellation.

The Companies were reminded of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(e) as two files did not contain required documentation (2.0% error ratio). One file did not contain proof of mailing, and one file did not contain the insured's request to cancel.

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-36-85(c), and 11 NCAC 10.1201 as 17 policies were cancelled using a form that had not been properly filed with the Department (17.0% error ratio).

All premium refunds were deemed correct. The Companies issued refunds in a timely manner.

### Homeowners Cancellations

One hundred cancelled homeowners policies were randomly selected for review from a population of 69,925.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	86	86.0
Nonpayment of premium	7	7.0
Risk no longer eligible	7	7.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 86 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 14 policies stated the specific reason for cancellation.

All premium refunds were deemed correct. The Companies issued refunds in a timely manner.

The Companies were deemed to be in violation of NCGS 58-3-150(a), 58-39-55, and 11 NCAC 10.1201 as 14 policies were cancelled using a form that was not properly filed with the Department (14.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

### Dwelling Fire Cancellations

One hundred cancelled dwelling fire policies were randomly selected for review from a population of 10,716.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	86	86.0
Nonpayment of premium	9	9.0
Adverse underwriting decision	5	5.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 86 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 14 cancelled policies stated the specific reason for cancellation.

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-39-55, and 11 NCAC 10.1201 as 14 policies reviewed were cancelled using a form that had not been properly filed with the Department (14.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

#### Commercial Automobile Cancellations

One hundred cancelled commercial automobile policies were randomly selected for review from a population of 7,799.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	85	85.0
Nonpayment of premium	15	15.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 85 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 15 cancelled policies stated the specific reason for cancellation.



The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-41-50(a), and 11 NCAC 10.1201 as 15 policies reviewed were cancelled using a form that had not been properly filed with the Department (15.0% error ratio).

All premium refunds were deemed correct. The Companies issued refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

#### Farmowners Cancellations

Fifty cancelled farmowners policies were randomly selected for review from a population of 1,255.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	43	86.0
Nonpayment of premium	7	14.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 43 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining seven policies stated the specific reason for cancellation.

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-41-50(a), and 11 NCAC 10.1201 as seven policies were cancelled using a form that had not been properly filed with the Department (14.0% error ratio).

All premium refunds were deemed correct. The Companies issued refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

### Workers' Compensation Cancellations

Fifty cancelled workers compensation policies were randomly selected for review from a population of 2,473.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<b>Reason for Cancellation</b>	<b>Number of Policies</b>	<b>Percentage</b>
Insured's request	17	34.0
Nonpayment of premium	27	54.0
Adverse underwriting decision	6	12.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were not required to issue cancellation notices for 17 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 33 policies stated the specific reason for cancellation.

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a) and 11 NCAC 10.1201 as 33 files were cancelled using a form that had not been properly filed with the Department (66% error ratio).

The Companies were reminded of the provisions of NCGS 58-36-100(o) as the proper pro rata factor was not applied to the expense constant premium for one policy (2.0% error ratio). This error resulted in a premium overcharge. The examiners directed the Companies to issue a refund in the amount of \$235.20, including interest, for the overcharge. The remaining premium refunds were deemed correct. The Companies issued refunds in a timely manner.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

### Private Passenger Automobile Nonrenewals

Fifty nonrenewed private passenger automobile policies were selected for review from a population of 345.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Adverse underwriting decision	50	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-36-85(c), 58-39-55, and 11 NCAC 10.1201 as the nonrenewal notice was not filed with the Department and did not include the required statement that advises the insured of the penalty for not maintaining continuous liability coverage and their right to request the Department to review the termination for 50 files reviewed (100.0% error ratio).

The Companies were deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4)(e) as 19 files did not contain a copy of the form FS-4 (38.0% error ratio). The Companies were reminded of the provisions of 11 NCAC 19.0102(a), 19.0104 and 19.0106(a)(4)(e) as one file did not contain proof of mailing of the nonrenewal notice (2.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files contained sufficient documentation to support the action taken by the Companies.

#### Homeowners Nonrenewals

One hundred nonrenewed homeowners policies were randomly selected for review from a population of 9,587.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Underwriting reasons	100	100.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-39-55, and 11 NCAC 10.1201 as 100 policies were nonrenewed using a form that had not been properly filed with the Department (100.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files contained sufficient documentation to support the action taken by the Companies.

Dwelling Fire Nonrenewals

Fifty nonrenewed dwelling fire policies were randomly selected for review from a population of 1,458.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Underwriting reasons	50	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-39-55, and 11 NCAC 10.1201 as 50 policies reviewed were nonrenewed using a form that had not been properly filed with the Department (100.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

Commercial Automobile Nonrenewals

All nonrenewed commercial automobile policies were selected for review from a population of 42.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Underwriting reasons	42	100.0
<b>Total</b>	<b>42</b>	<b>100.0</b>

The Companies were reminded of the provisions of NCGS 58-41-20 as one policy reviewed was nonrenewed using a reason that was not precise (2.4% error ratio).

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-41-50(a), and 11 NCAC 10.1201 as 42 policies reviewed were nonrenewed using a form that had not been properly filed with the Department (100.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

#### Farmowners Nonrenewals

Fifty nonrenewed farmowners policies were randomly selected for review from a population of 319.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Underwriting reasons	50	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a), 58-41-50(a), and 11 NCAC 10.1201 as 50 policies were nonrenewed using a form that had not been properly filed with the Department (100.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

### Workers' Compensation Nonrenewals

Fifty nonrenewed workers compensation policies were selected for review from a population of 652.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<b>Reason for Nonrenewal</b>	<b>Number of Policies</b>	<b>Percentage</b>
Underwriting reasons	50	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

The Companies were deemed to be in violation of the provisions of NCGS 58-3-150(a) and 11 NCAC 10.1201 as 50 policies (100.0% error ratio) were nonrenewed using a form that had not been properly filed with the Department (100.0% error ratio).

The Companies were reminded of the provisions of NCGS 58-36-110(e) as one policy was nonrenewed using a reason that was not precise (2.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

## **CLAIMS PRACTICES**

### Overview

The Companies' claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The license status for each claim adjuster was reviewed to determine if the adjuster was properly licensed at the time of the claim handling. The review encompassed paid, automobile medical payments, first and third-party bodily injury, closed without payment, subrogated, total loss settlement, and litigated claims. Eight hundred fifty claims were randomly selected for review from a population of 468,515.

### Paid Claims

Three hundred first party automobile physical damage, first party property damage, and third-party property damage claims paid during the period under examination were selected for review from a population of 253,555. The claim files were reviewed for timeliness of payment, supporting documentation, and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
Automobile physical damage	8.9
First party property damage (non-Auto)	12.5
Third party property damage	10.9

The Companies were reminded of the provisions of NCGS 58-63-15(11)(f) as four first party property damage claims were not handled in a prompt manner (4.0% error ratio).

The Companies were reminded of the provisions of NCGS 58-63-15(11)(b)(f) as two third party property damage claims were not handled in a prompt manner (2.0% error ratio).

All payments issued by the Companies were deemed to be accurate. Deductibles were correctly applied and depreciation taken was reasonable.

The Companies were reminded of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5)(e) as one third party property damage claim did not contain an estimate for damages (1.0% error ratio).

All other claim files reviewed contained documentation to support the Companies' payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

### Automobile Medical Payment Claims

One hundred automobile medical payment claims were randomly selected for review from a population of 16,855. The claim files were reviewed to determine if the Companies had engaged in any unfair claims' practices.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(b)(f) as three claim files were not handled in a timely manner (3.0% error ratio).

### First and Third-Party Bodily Injury Claims

One hundred paid first and third-party bodily injury claims were randomly selected for review from a population of 21,235. The claim files were reviewed to determine whether the Companies had engaged in any unfair claims' practices.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(f) as five claims had delays in settlement (5.0% error ratio).

### Claims Closed Without Payment

One hundred closed without payment claims were randomly selected for review from a population of 120,847. The claim files were reviewed to determine if the Companies' reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Companies' reasons for closing the claims without payment. All reasons for denial or closing the claims without payment were deemed valid. Claims were denied on an average of 10.5 days for the 3-year period. The review of closed without payment claims disclosed no violations of the provisions of NCGS 58-63-15.

### Subrogated Claims

One hundred subrogated claims were randomly selected for review from a population of 11,457. The claim files were reviewed to determine if the insured's deductible was properly reimbursed by the Companies when subrogation was successful.



The Companies were reminded of the provisions of NCGS 58-63-15(11)(b) as two claims (2.0 percent error ratio) had an error in reimbursing the insured's deductible. One claim reviewed had delays in reimbursing the insured's deductible and one claim reviewed did not reimburse the insured's deductible. The examiners directed the Companies to issue a deductible reimbursement in the amount of \$132.85, including interest.

The remaining reimbursements were deemed to be correct and were issued on a 3-year average of one calendar day from the date the Companies collected the monies.

#### Total Loss Settlement Claims

One hundred total loss settlement claims were randomly selected for review from a population of 43,923. The claim files were reviewed to determine if the settlements were equitable and timely.

The Companies primarily used National Automobile Dealers Association (NADA) Used Car Guide to establish the actual cash value of totaled vehicles. All settlements were deemed equitable. The payments were issued on a 3-year average of 12.4 calendar days.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(b)(f) as four claims were not handled in a prompt manner (4.0% error ratio). No violations of the provisions of 11 NCAC 4.0418 or 11 NCAC 4.0421 were noted during this review.

#### Litigated Claims

Fifty litigated claims were selected for review from a population of 643. The claim files were reviewed to determine if the Companies had engaged in any unfair claims' practices. The review of litigated claims disclosed no violations of the provisions of NCGS 58-63-15(11).

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Companies are directed to notify the Department within 30 days when a producer's appointment is terminated.

For private passenger automobile new business, the Companies are directed to collect and maintain in the policy file one form of reliable proof of North Carolina residency or eligible

risk status as described in NCGS 58-2-164(c1), or other forms of reliable proof acceptable to the North Carolina Department of Insurance, at the time of application.

For commercial automobile new business, the Companies are directed to collect and maintain in the policy file two forms of reliable proof of North Carolina residency or eligible risk status as described in NCGS 58-2-164(c2), or other forms of reliable proof acceptable to the North Carolina Department of Insurance, at the time of application.

The Companies are directed to file all termination forms with the Department for approval. For private passenger automobile termination forms, including nonrenewal notices, statements advising the insured of the penalty for not maintaining continuous liability coverage and their right to request the Department to review the termination must be included. A copy of the form FS-4 must be retained for each terminated private passenger automobile policy.

The Companies are directed to properly file motorcycle physical damage rates with the Department.

Upon acceptance of the Report the Companies shall provide the Department with a statement of corrective action plan to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Companies successfully implemented their statement of corrective action.

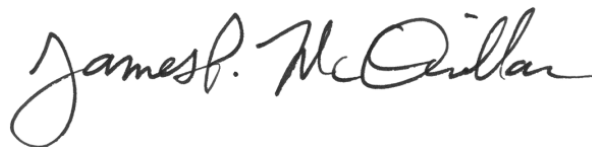
### **CONCLUSION**

An examination has been conducted on the market conduct affairs of North Carolina Farm Bureau Mutual Insurance Company and Farm Bureau Insurance of N.C., Inc. for the period January 1, 2017, through December 31, 2019, with analyses of certain operations of the Companies being conducted through April 5, 2021.

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 Companies' operations in the areas of policyholder treatment, marketing, underwriting, terminations, and claims.

In addition to the undersigned, Brooke Green, MCM, and Eshita Patel, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination.

Respectfully submitted,

A handwritten signature in black ink that reads "James P. McQuillan". The signature is written in a cursive style with a large initial 'J'.

James P. McQuillan, CPCU, AIT, 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.

A handwritten signature in black ink that reads "Teresa Knowles". The signature is written in a cursive style with a large initial 'T'.

Teresa Knowles, MCM, ACS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina