



Report on

Market Conduct Examination

of the

Permanent General Assurance Corporation of Ohio

Nashville, Tennessee

by Representatives of the

North Carolina Department of Insurance

as of

October 19, 2023

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Raleigh, North Carolina
October 19, 2023

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Department of Insurance
State of North Carolina
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Raleigh, North Carolina 27603

Honorable Nathan Houdek
Commissioner of Insurance
Office of the Commissioner of Insurance
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Madison, Wisconsin 53703-3474

Honorable Commissioners:

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 the following entity:

Permanent General Assurance Corporation of Ohio (NAIC #22906)
NAIC Exam Tracking System Exam Number: NC-NC131-28
Nashville, Tennessee
(hereinafter generally referred to as the Company)

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 June 21, 2022, and covered the period of January 1, 2020, through December 31, 2021. Analyses of certain operations of the Company were concluded during the Wrap-Up Conference which was held on September 20, 2023. This examination was initiated by market analysis on April 15, 2022. All comments made in this report reflect conditions observed during the period of 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 included limited review of the Company's 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 percent tolerance level for adjusters who were not properly licensed; 7 percent for claims; and 10 percent 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 company.

EXECUTIVE SUMMARY

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

Claims Practices – Not attempting in good faith to effectuate prompt settlement of claims, allowing unlicensed claim representatives to perform functions that should be handled by licensed adjusters, and applying the comprehensive deductible to automobile fire claims.

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

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.

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.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes, rules, and policy provisions. The review encompassed private passenger automobile physical damage claims, private passenger automobile third-party property damage claims, private passenger automobile closed without payment claims, and private passenger automobile total loss claims.

Two hundred fifty claims were randomly selected from a population of 13,276.

Paid Claims

Fifty first-party physical damage and fifty third-party property damage claims paid during the period under examination were selected for review from a population of 6,188 (3,086 first party and 3,102 third party). Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, accuracy of payment, and supporting documentation.

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	28
Automobile third party property damage	38

The Company was reminded of the provisions of coverage form NC 00 01 06 05 as three of the physical damage claims (6.0 percent error ratio) were fire losses and the Company applied the comprehensive deductible to the loss. Policy provisions prohibit the application of a deductible to fire losses. At the request of the examiners, the Company made additional payments (including statutory interest) of \$3,362.96. Additionally, the Company performed a self-audit to determine whether there were any fire losses in claim files outside of the exam population. The result of the self-audit produced an additional 26 claims in which additional payments were made totaling \$15,088.18.

The Company was reminded of the provisions of administrative code 11 NCAC 04 .0418(6) [prior to 10/1/20] and 11 NCAC 04 .0418(n) [on or after 10/1/20] as two physical damage claims (4.0 percent error ratio) included letters advising when storage fees would no longer be paid, but those letters did not provide at least the minimum number of days notice.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26(a) and NCGS 58-3-130 as two physical damage files (4.0 percent error ratio) included individuals performing the functions of an adjuster without being duly licensed as an adjuster.

The Company was reminded of the provisions of administrative code 11 NCAC 04 .0418(n) as one third-party property damage claim (2.0 percent error ratio) included a letter advising when storage fees would no longer be paid, but the letter did not provide at least the minimum number of days notice.

The Company was reminded of the provisions of NCGS 58-63-15(11) as three third-party property damage claims (6.0 percent error ratio) reflected an undue delay in settling the claim.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26(a) and NCGS 58-3-130 as five third-party property damage claims (10.0 percent error ratio) included individuals performing the functions of an adjuster without being duly licensed as an adjuster.

The Company was reminded of the provisions of NCGS 58-63-15(11) (f) as one third-party property damage claim (2.0 percent error ratio) reflected a settlement payment less than the amount at which the loss was valued. At the direction of the examiners, the Company made an additional payment (including statutory interest) of \$186.79.

All other claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, adjusters' notes, and non-adjusters' notes.

Closed Without Payment Claims

One hundred closed without payment claims were randomly selected for review from a population of 5,199. Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) to see if the Company had engaged in any unfair claim practices.

The Company was reminded of the provisions of NCGS 58-63-15(1) & (2) as one file (1.0 percent error ratio) indicated that an airbag discount had been applied to the premium, when no such credit had been applied.

The Company was reminded of the provisions of coverage form NC 00 01 06 05 as one claim (1.0 percent error ratio) was misclassified as a comprehensive loss but was actually a collision loss.

The Company was reminded of the provisions of NCGS 58-63-15 as three files (3.0 percent error ratio) reflected undue delays in settlement.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26(a) and NCGS 58-3-130 as there were four files (4.0 percent error ratio) in which individuals were performing the functions of an adjuster without being duly licensed as an adjuster.

Total Loss Settlement Claims

Fifty total loss settlement claims were randomly selected for review from a population of 1,889. Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) to see if the Company had engaged in any unfair claim practices.

The Company was reminded of the provisions of NCGS 58-63-15(11) as one claim (2.0 percent error ratio) was adjusted, but then the Company failed to issue payment. At the direction of the examiners, the Company issued a payment (including statutory penalty interest) of \$6,383.60.

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11) as eleven files (22.0 percent error ratio) included undue delays in settlement.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to settle claims without undue delay in which liability has become reasonably clear. The Company is to refrain from allowing unlicensed claim representatives to perform functions that should be handled by licensed adjusters. The Company is to settle personal automobile fire losses without applying the policy's comprehensive deductible.

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

CONCLUSION

An examination has been conducted on the market conduct affairs of Permanent General Assurance Corporation of Ohio for the period January 1, 2020 through December 31, 2021, with analyses of certain operations of the Company being conducted through September 20, 2023.

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 area of claims practices.

In addition to the undersigned, Jeffrey O'Bannon, MCM, North Carolina Market Conduct Examiner II, participated in this examination.

Respectfully submitted,



Larry R. Cook, CPCU, AU, ARe, ARM, AIM, AMIM,
AIAF, AIC, ARC, 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.



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