



Report on

Market Conduct Examination

of the

Progressive Universal Insurance Company  
Madison, Wisconsin  
Progressive Premier Insurance Company of Illinois  
Cleveland, Ohio  
Progressive Southeastern Insurance Company  
Indianapolis, Indiana

by Representatives of the  
North Carolina Department of Insurance

as of

October 3, 2017

---

---



TABLE OF CONTENTS

SALUTATION ..... 1

SCOPE OF EXAMINATION ..... 2

EXECUTIVE SUMMARY ..... 2

MARKETING ..... 3

    Policy Forms and Filings ..... 3

UNDERWRITING PRACTICES ..... 4

    Overview ..... 4

    Private Passenger Automobile ..... 4

CONCLUSION ..... 5

Raleigh, North Carolina  
October 3, 2017

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

Honorable Jillian Froment  
Director of Insurance  
Ohio Department of Insurance  
50 W. Town Street  
Third Floor, Suite 300  
Columbus, Ohio 43215

Honorable Ted Nickel  
Commissioner of Insurance  
Office of the Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
GEF III – 2<sup>nd</sup> Floor  
Madison, Wisconsin 53703-3474

Honorable Stephen W. Robertson  
Commissioner of Insurance  
Indiana Department of Insurance  
311 West Washington Street, Suite 103  
Indianapolis, Indiana 46204

Honorable Commissioners 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

**Progressive Universal Insurance Company (NAIC #21727)**  
Madison, Wisconsin  
**Progressive Premier Insurance Company of Illinois (NAIC #21735)**  
Cleveland, Ohio  
**Progressive Southeastern Insurance Company (NAIC #38784)**  
Indianapolis, Indiana  
NAIC Exam Tracking System Exam Number: NC-NC131-14

hereinafter generally referred to as the Companies, 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 Companies. This examination commenced on March 6, 2017, and covered the period of January 1, 2014, through December 31, 2015, with analyses of certain operations of the Companies being conducted through September 28, 2017. 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 Companies' practices and procedures in marketing and underwriting. 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 producers not properly licensed and/or appointed, the use of forms and rates/rules that were neither filed with nor approved by the Department and 5 percent for all other areas reviewed. Sample sizes were generated using 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 Companies' procedures and practices in the following areas:

*Marketing* - The basic coverage form was not filed with and approved by the Department.

*Underwriting Practices* - Private Passenger Automobile: Consent to rate forms displayed the incorrect premium without application of consent to rate.

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](http://www.ncdoi.com), by clicking “Insurance Industry” then “Legislative Services” under “Other Divisions”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. 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. 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 Companies were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Private Passenger Automobile

Filings for the private passenger automobile line of business were made by the North Carolina Rate Bureau on behalf of the Companies. Deviations for these lines of business were made to the Department by the Companies.

The Companies did not adhere to the provisions of NCGS 58-3-150(a), NCGS 58-36-55, and Title 11 of the North Carolina Administrative Code (NCAC), Chapter 10, Section 1201 as the entire population of 119 files used a coverage form that was neither filed with nor approved by the Department of Insurance. This error had no financial or coverage impact on the policyholders.

## UNDERWRITING PRACTICES

### Overview

The Companies' marketing in North Carolina is directed to personal and commercial lines of business. The Companies provided the examiner with a listing 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 69,356. 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' private passenger automobile policies were written on a semi-annual basis. Coverages were written on a consent to rate basis. 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 did not adhere to the provisions of NCGS 58-36-30 and 11 NCAC 10.0602(a) as the premium that would be charged without application of consent to rate was calculated incorrectly for 38 policies reviewed. The rating errors included:

- Incorrect physical damage symbols – 34 policies
- Incorrect territory – 1 policy
- Incorrect inexperienced operator surcharge – 3 policies

These errors had no financial or coverage impact to the policyholders.

## COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

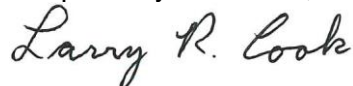
The Companies must use only coverage forms and endorsements that have been filed with and approved by the Department. The Companies must reinforce procedures to ascertain that correct physical damage symbols, correct territory codes, and correct inexperienced operator surcharges are used to calculate the premiums for private passenger automobile policies. The Companies must display the correct premium that would be charged without application of consent to rate on the consent to rate form.

## CONCLUSION

An examination has been conducted on the market conduct affairs of Progressive Universal Insurance Company, Progressive Premier Insurance Company of Illinois, and Progressive Southeastern Insurance Company for the period January 1, 2014, through December 31, 2015, with analyses of certain operations of the Companies being conducted through September 28, 2017.

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 marketing and underwriting practices.

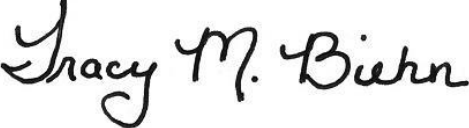
Respectfully submitted,



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.

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large, stylized 'T' and 'B'.

Tracy M. Biehn, MBA, MCM, LPCS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina