

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**ALFA VISION INSURANCE CORPORATION**

**ALFA SPECIALTY INSURANCE CORPORATION**

**AS OF**

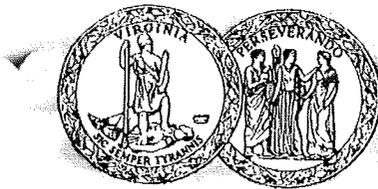
**DECEMBER 31, 2012**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

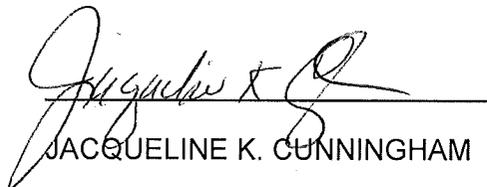


P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Market Conduct Examination Report of Alfa Vision Insurance Corporation and Alfa Specialty Insurance Corporation as of March 25, 2014, which took place at the companies' offices in Brentwood, Tennessee is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' final response to the findings set forth therein, and of the Bureau's letter and the Order of the State Corporation Commission finalizing the Report.

**IN WITNESS WHEREOF**, I have  
hereunto set my hand and affixed  
the official seal of this the Bureau  
at the City of Richmond, Virginia,  
this **date** 10th of **April, 2014**.



JACQUELINE K. CUNNINGHAM

Commissioner of Insurance

## TABLE OF CONTENTS

INTRODUCTION .....	1
COMPANY PROFILES* .....	1
SCOPE OF THE EXAMINATION .....	5
STATISTICAL SUMMARY .....	6
PART ONE – THE EXAMINERS’ OBSERVATIONS .....	8
RATING AND UNDERWRITING REVIEW .....	8
Automobile New Business Policies .....	8
Automobile Renewal Business Policies .....	10
TERMINATION REVIEW.....	11
Company-Initiated Cancellations – Automobile Policies .....	11
Notice Mailed Prior to the 60 <sup>th</sup> Day of Coverage .....	11
Notice Mailed After the 59 <sup>th</sup> Day of Coverage .....	12
All Other Cancellations – Automobile Policies .....	13
Nonpayment of the Premium.....	13
Requested by the Insured .....	13
Rejected Applications – Automobile Policies .....	14
Company-Initiated Non-renewals – Automobile Policies.....	14
CLAIMS REVIEW.....	14
Private Passenger Automobile Claims .....	15
REVIEW OF FORMS .....	18
Automobile Policy Forms.....	19
Policy Forms Used During the Examination Period.....	19
Policy Forms Currently Used.....	19
REVIEW OF THE POLICY ISSUANCE PROCESS.....	19
Automobile Policies .....	20
New Business Policies .....	20
Renewal Business Policies.....	21

REVIEW OF STATUTORY NOTICES..... 22

    General Statutory Notices ..... 22

    Statutory Vehicle Notices ..... 23

    Other Notices ..... 23

LICENSING AND APPOINTMENT REVIEW ..... 23

    Agent..... 23

    Agency ..... 24

REVIEW OF THE COMPLAINT-HANDLING PROCESS..... 24

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES ..... 24

PART TWO – CORRECTIVE ACTION PLAN ..... 25

    General..... 25

    Rating and Underwriting Review ..... 25

    Termination Review..... 26

    Claims Review..... 27

    Forms Review ..... 28

    Review of Policy Issuance Process..... 28

    Review of Statutory Notices ..... 29

    Licensing and Appointment Review ..... 29

    Review of the Complaint-Handling Process ..... 30

PART THREE – RECOMMENDATIONS..... 31

    RECOMMENDATIONS ..... 31

        Rating and Underwriting..... 31

        Termination ..... 31

        Claims ..... 32

        Statutory Notices ..... 32

SUMMARY OF PREVIOUS EXAMINATION FINDINGS..... 32

ACKNOWLEDGEMENT ..... 33

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the private passenger automobile lines of business written by Alfa Vision Insurance Corporation and Alfa Specialty Insurance Corporation at their office in Brentwood, Tennessee.

The examination commenced April 1, 2013 and concluded August 13, 2013. Brandon Ayers, Andrea D. Baytop, Karen S. Gerber, Joy Morton, and Gloria Warriner-Penrose, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on February 7, 2013 and was assigned the examination number of VA097-M4. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

## COMPANY PROFILES\*

Alfa Vision Insurance Corporation (AVI) commenced operations on January 1, 2005 for purposes of writing a nonstandard automobile book of business that was produced under a MGA Agreement with The Vision Insurance Group, LLC, a full-service managing general agency (MGA). At the same time, AVI was added to the Alfa Group pool.

The Vision Insurance Group, LLC (Vision) was acquired in 2005 for \$20 million in cash and stock. The acquisition provides Alfa with the opportunity to expand its personal lines business in Texas, Missouri, Indiana, Ohio, Virginia, Tennessee, Arkansas and Kentucky via Vision's network of 3,600 independent agents.

As of October 31, 2009, AVI terminated the Managing General Agent Agreement with Vision and writes business directly with the independent agents.

Alfa Vision Insurance Corporation and The Vision Insurance Group, LLC are wholly-owned subsidiaries of Alfa Corporation.

Effective October 1, 2010, the Company redomesticated to the Commonwealth of Virginia from the State of Alabama.

Alfa Specialty Insurance Corporation was incorporated under the laws of the State of Alabama on August 11, 1999 and commenced business on December 3, 1999.\*

---

\* Source: Best's Insurance Reports, Property & Casualty, 2012 Edition.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date that the companies were licensed in Virginia.

<b>GROUP CODE: 005</b>	<b>ASIC</b>	<b>AVIC</b>
<b>NAIC Company Number</b>	11004	12188
LICENSED IN VIRGINIA	10/30/2001	12/30/2004
LINES OF INSURANCE		
Accident and Sickness		
Aircraft Liability		
Aircraft Physical Damage		
Animal		
Automobile Liability	x	x
Automobile Physical Damage	x	x
Boiler and Machinery		
Burglary and Theft		
Commercial Multi-Peril	x	
Credit		
Farmowners Multi-Peril		
Fidelity		
Fire		
General Liability		
Glass		
Homeowner Multi-Peril		
Inland Marine		
Miscellaneous Property		
Ocean Marine		
Surety		
Water Damage		
Workers' Compensation		

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2012 for the lines of insurance included in this examination.\* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
<b>Alfa Specialty Insurance Corporation</b>		
Private Passenger Auto Liability	\$21,523,534	.87%
Private Passenger Auto Physical Damage	\$8,511,868	.47%
<b>Alfa Vision Insurance Corporation</b>		
Private Passenger Auto Liability	\$16,556,575	.67%
Private Passenger Auto Physical Damage	\$7,232,438	.40%

---

\* Source: The 2012 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

## SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile line of business written in Virginia for the period beginning January 1, 2012 and ending December 31, 2012. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance,<sup>1</sup> statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

---

<sup>1</sup> Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

### **STATISTICAL SUMMARY**

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

AREA	Population			FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
	Sample Requested						
	AVIC	ASIC	TOTAL				
<b><u>Private Passenger Auto</u></b>							
New Business	<u>17871</u>	<u>18876</u>	<u>36747</u>	50	0	50	100%
	25	25	50				
Renewal Business <sup>1</sup>	<u>9579</u>	<u>15592</u>	<u>25171</u>	49	0	49	100%
	25	25	50				
Co-Initiated Cancellations <sup>2</sup>	<u>127</u>	<u>108</u>	<u>235</u>	24	0	22	92%
	12	12	24				
All Other Cancellations	<u>34135</u>	<u>34140</u>	<u>68275</u>	34	0	16	47%
	17	17	34				
Nonrenewals	<u>237</u>	<u>341</u>	<u>578</u>	12	0	8	67%
	6	6	12				
Rejected Applications	<u>324</u>	<u>324</u>	<u>648</u>	12	0	12	100%
	6	6	12				
<b><u>Claims</u></b>							
Auto <sup>3</sup>	<u>7866</u>	<u>10457</u>	<u>18323</u>	96	0	59	61%
	47	50	97				

Footnote <sup>1</sup> - One policy was voided for material misrepresentation and not reviewed.

Footnote <sup>2</sup> - One policy was moved from After 60 to Prior 60 category.

Footnote <sup>3</sup> - One claim file was reviewed by the BOI Consumer Services Section and not reviewed.

## **PART ONE – THE EXAMINERS’ OBSERVATIONS**

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

### **RATING AND UNDERWRITING REVIEW**

#### **Automobile New Business Policies**

The Bureau reviewed 50 new business policy files. As a result of this review, the examiners found overcharges totaling \$2,688.00 and undercharges totaling \$1,598.29. The net amount that should be refunded to insureds is \$2,688.00 plus six percent (6%) simple interest.

- (1) The examiners found 59 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the information required by the statute.
  - a. In four instances, the company failed to show the policy fee on the revised declarations page.
  - b. In 50 instances, the company failed to list all of the forms applicable to the policy on the declarations page.
  - c. In five instances, the company listed endorsements that were not applicable to the policy on the declarations page.
- (2) The examiners found two violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages conditions or terms of the insurance policy. The company misrepresented the terms of the Customized Equipment coverage.
- (3) The examiners found 25 violations of § 38.2-604 A of the Code of Virginia. The

- company failed to provide the insured the Notice of Information Collection and Disclosure Practices.
- (4) The examiners found 93 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In four instances, the company failed to use the correct discounts and/or surcharges.
  - b. In two instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
  - c. In 28 instances, the company failed to use the correct symbol.
  - d. In seven instances, the company failed to use the correct tier eligibility criteria.
  - e. In four instances, the company failed to use the correct driver classification factor.
  - f. In 18 instances, the company failed to use the correct base and/or final rates.
  - g. In 24 instances, the company failed to use its filed rounding rule.
  - h. In six instances, the company failed to use its filed rule regarding an unlicensed spouse.
- (5) The examiners found one violation of § 38.2-2204 of the Code of Virginia. The company issued a motor vehicle policy that did not provide coverage to the named insured and any other person using or responsible for the use of the motor vehicle as required by statute.
- (6) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Credit Adverse Action to the insured.

**Automobile Renewal Business Policies**

The Bureau reviewed 49 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$5,744.15 and undercharges totaling \$709.51. The net amount that should be refunded to insureds is \$5,744.15 plus six percent (6%) simple interest.

- (1) The examiners found 57 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance contract or policy all of the information required by the statute.
  - a. In 49 instances, the company failed to list all of the forms applicable to the policy on the declarations page.
  - b. In eight instances, the company listed endorsements that were not applicable to the policy.
- (2) The examiners found four violations of § 38.2-1905 A of the Code of Virginia. The company failed to notify the insured in writing that his policy had been surcharged for an at fault accident.
- (3) The examiners found 105 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
  - a. In five instances, the company failed to use the correct discounts and/or surcharges.
  - b. In two instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
  - c. In 26 instances, the company failed to use the correct symbol.
  - d. In nine instances, the company failed to use the correct tier eligibility criteria.
  - e. In 14 instances, the company failed to use the correct driver classification factor.

- f. In 22 instances, the company failed to use the correct base and/or final rates.
  - g. In 25 instances, the company failed to use its filed rounding rule.
  - h. In one instance, the company failed to use its rules on file by not obtaining the MVR and/or CLUE reports.
  - i. In one instance, the company failed to rate the policy in accordance with its filed credit rating rules.
- (4) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Credit Adverse Action notice to the insured.
- (5) The examiners found three violations of § 38.2-2234 B of the Code of Virginia. The company failed to properly rate the policy using the credit information obtained.

#### **TERMINATION REVIEW**

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

#### **Company-Initiated Cancellations – Automobile Policies**

##### **NOTICE MAILED PRIOR TO THE 60<sup>TH</sup> DAY OF COVERAGE**

The Bureau reviewed 13 automobile cancellations that were initiated by the companies where the companies mailed the notices on or prior to the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and undercharges totaling \$7.09.

- (1) The examiners found five violations of § 38.2-310 of the Code of Virginia. The

company failed to state in the policy all fees, charges, premiums or other consideration charged for insurance or for the procurement of insurance.

- (2) The examiners found 13 violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an Adverse Underwriting Decision (AUD).
- (3) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE

The Bureau reviewed 11 automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found overcharges totaling \$90.13 and undercharges totaling \$6.20. The net amount that should be refunded to insureds is \$90.13 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-310 of the Code of Virginia. The company failed to state in the policy all fees, charges, premiums or other consideration charged for insurance or for the procurement of insurance.
- (2) The examiners found four violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an AUD.
- (3) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (4) The examiners found one violation of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted by the Code of Virginia.

- (5) The examiners found five violations of § 38.2-2212 E of the Code of Virginia. The company failed to send the insured written notice of cancellation.

### **All Other Cancellations – Automobile Policies**

#### NONPAYMENT OF THE PREMIUM

The Bureau reviewed 22 automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found overcharges totaling \$25.89 and undercharges totaling \$42.03. The net amount that should be refunded to insureds is \$25.89 plus six percent (6%) simple interest.

- (1) The examiners found five violations of § 38.2-310 of the Code of Virginia. The company failed to state in the policy all fees, charges, premiums or other consideration charged for insurance or for the procurement of insurance.
- (2) The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (3) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the lienholder.

#### REQUESTED BY THE INSURED

The Bureau reviewed 12 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$50.02 and undercharges totaling \$17.96. The net amount that should be refunded to insureds is \$50.02 plus six percent (6%) simple interest.

- (1) The examiners found four violations of § 38.2-310 of the Code of Virginia. The company failed to state in the policy all fees, charges, premiums or other

consideration charged for insurance or for the procurement of insurance.

- (2) The examiners found four violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (3) The examiners found one violation of § 38.2-2212 F of the Code of Virginia. The company failed to obtain the insured's written request to cancel his policy mid-term.

### **Rejected Applications – Automobile Policies**

The Bureau reviewed 12 automobile insurance applications for which the company declined to issue a policy.

- (1) The examiners found 12 violations of § 38.2-604 A of the Code of Virginia. The company failed to provide the applicant a copy of the company's Notice of Insurance Information Collection and Disclosure Practices.
- (2) The examiners found 12 violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the applicant with written notice of an AUD.

### **Company-Initiated Non-renewals – Automobile Policies**

The examiners reviewed 12 automobile non-renewals that were initiated by the company.

The examiners found eight violations of § 38.2-610 A of the Code of Virginia.

The company failed to provide the applicant with written notice of an AUD.

### **CLAIMS REVIEW**

The examiners reviewed 96 automobile claims for the period of January 1, 2012 through December 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the

examiners found overpayments totaling \$106.93 and underpayments totaling \$1,098.74. The net amount that should be paid to claimants is \$1,096.74 plus six percent (6%) simple interest.

#### **Private Passenger Automobile Claims**

- (1) The examiners found 17 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found ten violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

- a. In one instance, the company failed to properly inform an insured of his physical damage coverage.
- b. In five instances, the company failed to inform an insured of his Transportation Expense coverage when the file indicated the coverage was applicable to the loss.
- c. In four instances, the company failed to inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist coverage when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative that reasonably suggested a response was expected.
- (4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found five violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (6) The examiners found 31 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In four instances, the company failed to reimburse the insured his portion of the collision deductible under the Uninsured Motorist Property Damage (UMPD) coverage.
  - b. In 25 instances, the company failed to pay the proper sales and use tax, title fee, and license fee on first party total loss settlements.
  - c. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found three violations of 14 VAC 5-400-80 D. The company

failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

- (8) The examiners found three violations of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or depreciation in the claim file.
- (9) The examiners found 12 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

- (10) The examiners found one violation of § 38.2-510 A 4 of the Code of Virginia. The company refused arbitrarily and unreasonably to pay a claim.
- (11) The examiners found three violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (12) The examiners found one violation of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage under which payment was made.
- (13) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- (14) The examiners found one violation of § 38.2-2204 of the Code of Virginia. The company issued a motor vehicle policy in the Commonwealth of Virginia that did

not provide coverage to the named insured and any other person using or responsible for the use of the motor vehicle as required by statute.

- (15) The examiners found one violation of § 38.2-2220 of the Code of Virginia. The company's application contained inaccurate coverage information for customized equipment.
- (16) The examiners found 14 occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In nine instances, the company issued a Reservation of Rights letter prior to determining that a coverage issue may exist.
  - b. In three instances, the company failed to include the lienholder on the check.
  - c. In two instances, the company failed to pay the claim in accordance with the terms of the policy.

#### Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

- (1) The examiners found one violation of § 8.01-425.1 of the Code of Virginia. The company failed to provide the right of rescission when the claimant or insured was not represented by an attorney.
- (2) The examiners found 34 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

#### REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of

business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

### **Automobile Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 42 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one currently approved for its use by the Bureau.
- (2) The examiners found ten violations of § 38.2-2220 of the Code of Virginia. The company failed to use standard forms filed and adopted by the Bureau.
  - a. In five instances, the company failed to use standard forms in the precise language filed and adopted by the Bureau.
  - b. In five instances, the company failed to have available for use mandatory forms filed and adopted by the Bureau.

#### POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

### **REVIEW OF THE POLICY ISSUANCE PROCESS**

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

### **Automobile Policies**

The company provided 10 new business policies mailed on the following dates: January 8, 10, 17, 21, 22, 26, 29 and 31, 2013. In addition, the company provided 10 renewal business policies mailed on the following dates: December 28, 2012 and January 2, 4, 7, 10, 19, and 22, 2013.

#### NEW BUSINESS POLICIES

- (1) The examiners found 20 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute.
  - a. In ten instances, the company failed to list all forms applicable to the policy on the declarations page.
  - b. In ten instances, the company failed to attach all applicable forms to the policy.
- (2) The examiners found ten violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance

- notice as required by the Code of Virginia.
- (3) The examiners found five violations of § 38.2-604 A of the Code of Virginia. The company failed to give the insured the Notice of Information Collection and Disclosure Practices at the time of application.
  - (4) The examiners found ten violations of § 38.2-604.1 A of the Code of Virginia. The company failed to provide the Notice of Financial Information Collection and Disclosure Practices as required by this statute.
  - (5) The examiners found three violations of § 38.2-2202 B of the Code of Virginia. The company failed to provide the Rejection of Higher Uninsured Motorist Limits notice as required by the Code of Virginia.
  - (6) The examiners found ten violations of § 38.2-2214 of the Code of Virginia. The company failed to provide the rating classification statement as required by the Code of Virginia.
  - (7) The examiners found five violations of § 38.2-2234 A of the Code of Virginia. The company failed to provide a Credit Disclosure notice at the time of application.

#### RENEWAL BUSINESS POLICIES

- (1) The examiners found ten violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company failed to list all forms applicable to the policy on the declarations page.
- (2) The examiners found ten violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information Regarding Your Insurance notice as required by the Code of Virginia.
- (3) The examiners found ten violations of § 38.2-604 A of the Code of Virginia. The company failed to provide the Notice of Information Collection and Disclosure

Practices when applicable.

- (4) The examiners found ten violations of § 38.2-604.1 A of the Code of Virginia. The company failed to provide the Notice of Financial Information Collection and Disclosure Practices as required by this statute.

#### **REVIEW OF STATUTORY NOTICES**

The examiners reviewed the companies' statutory notices used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for each line of business listed below, the Bureau requested copies from the companies. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle policies issued on risks located in Virginia complied with the Code of Virginia.

#### **General Statutory Notices**

- (1) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The companies' Important Information Regarding Your Insurance notice did not contain all of the information required by this statute.
- (2) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The companies failed to have available for use a long form Notice of Information Collection and Disclosure Practices.

- (3) The examiners found two violations of § 38.2-604 C of the Code of Virginia. The companies failed to have available for use a short form Notice of Information Collection and Disclosure Practices.
- (4) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The companies failed to have available for use an AUD notice.

### **Statutory Vehicle Notices**

The examiners found two violations of § 38.2-2202 B of the Code of Virginia. The companies failed to provide the Uninsured Motorist Limits notice in the precise language as required by the Code of Virginia.

### **Other Notices**

The company provided copies of seven other notices that were used during the examination period.

The examiners found no violations in this area.

### **LICENSING AND APPOINTMENT REVIEW**

A review was made of new business private passenger automobile policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the company as required by Virginia insurance statutes. In addition, the agent or agency to which the company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

### **Agent**

The examiners found one violation of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

**Agency**

The examiners found no violations in this area.

**REVIEW OF THE COMPLAINT-HANDLING PROCESS**

A review was made of the companies' complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found two violations of § 38.2-511 of the Code of Virginia. The companies failed to maintain a complete complaint register in compliance with this statute. Five written complaints filed with the Bureau of Insurance were not recorded in the companies' complaint register.

**REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES**

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information.

The company submitted its security information as required by § 38.2-613.2 of the Code of Virginia.

## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the companies, with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

### **General**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

Provide a Corrective Action Plan (CAP) with its response to the Report.

### **Rating and Underwriting Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the

company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Include accurate information in the policy by listing the policy fee and endorsements that are applicable to the policy on the declarations page.
- (5) Provide the Accident Point Surcharge notice to the insured when the companies surcharge the policy for an at-fault accident.
- (6) Properly represent the Customized Equipment coverage by not requiring a signed notice that restricts the policy provisions in the Standard Auto form.
- (7) Provide the insured the Notice of Information Collection and Disclosure Practices.
- (8) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, symbols, base and/or final rates, tier eligibility, driver classifications, rounding rules, obtaining the MVR and CLUE reports, credit information and the file ruled regarding an unlicensed spouse.
- (9) Remove any reference to excluded drivers from the application for automobile coverage.
- (10) Use credit information that was obtained within 90 days of writing the policy.

### **Termination Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Specify accurate information in the policy by disclosing all fees, charges and premiums.
- (5) Provide a written AUD notice to the insured and/or applicant.
- (6) Calculate earned premium according to filed rules and policy provisions.
- (7) Send the insured written notice of cancellation at least 45 days before the effective date of cancellation when the notice is mailed after the 59<sup>th</sup> day of coverage.
- (8) Obtain and retain valid proof of mailing cancellation notices to the lienholder.
- (9) Provide the Notice of Insurance Information Collection and Disclosure Practices to the applicant.

### **Claims Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overpayments and underpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.
- (4) Document the claim file so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Physical Damage coverage, Transportation Expenses coverage and Uninsured Motorists coverage including rental benefits.
- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (7) Implement reasonable standards for the prompt investigation of claims.

#### **Forms Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Use the rate classification statement filed and approved by the Bureau.
- (2) Use the required standard automobile forms filed and adopted by the Bureau.

#### **Review of Policy Issuance Process**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Specify the required information in the policy by listing and attaching all of the applicable forms.

- (2) Provide the Notice of Important Information Regarding Your Insurance.
- (3) Provide the Notice of Information Collection and Disclosure Practices with new business policies as required.
- (4) Provide the Notice of Financial Information Collection and Disclosure Practices.
- (5) Provide the Rejection of Higher Uninsured Motorist Limits notice to the insured at new business.
- (6) Provide the rating classifications statement with new business policies as required.
- (7) Provide the Credit Adverse Action notice with new business policies as required.

### **Review of Statutory Notices**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Amend the Important Information Regarding Your Insurance notice to comply with § 38.2-305 B of the Code of Virginia.
- (2) Develop the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (3) Develop the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (4) Develop the AUD notice to comply with § 38.2-610 A of the Code of Virginia.
- (5) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia.

### **Licensing and Appointment Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

Appoint agents within 30 days of the application.

**Review of the Complaint-Handling Process**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

Maintain a complete complaint register that is in compliance with § 38.2-511 of  
the Code of Virginia.

### **PART THREE – RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

#### **RECOMMENDATIONS**

We recommend that the company take the following actions:

#### **Rating and Underwriting**

- The company should remove the Program Factor field from the Rate Order of Calculation (ROC).
- The company should delete reference to the UMPD Deductible factor from the ROC.
- The company should file symbol pages used by the company.
- The company should add a rule defining the liability symbols 970, 980 and 990.
- The company should add to its manual the methodology used to determine the highest rated driver and highest rated vehicle.
- The company should amend its filed manual to indicate that payment plan chosen at inception applies within the Retention Score Model.
- The company should amend its credit scoring table to include the scores applicable to No Hit, Thin File and Youthful operators.
- The company should amend the vehicle age ranges for the Retention Models Vehicle 1 Age Group coefficient factors table.
- The company should file the Named Operator factor for the #Driver/Vehicle factor table.
- The company should correct the typos on the Underwriting Tier page.

#### **Termination**

- The company should obtain the insured's written request to cancel his policy mid-term.

**Claims**

- The company should use the term "Other Than Collision" coverage instead of "Comprehensive" on its checks and communications.
- The company should make an appropriate reply within ten working days to communications reasonably suggesting a response is expected.
- The company should notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- The company should provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- The company should document all information relating to the application of betterment or depreciation in the claim file.
- The company should pay claims promptly and fairly.
- The company should include a correct statement of coverage under which payments are made with all claim payments to insureds and claimants.
- The company should provide a reasonable explanation of the basis in the insurance policy, in relation to the facts or applicable law, for the denial of a claim or offer of a compromise settlement.
- The company should remove any reference to excluded drivers.
- The company should amend its application to accurately reflect customized equipment coverage.
- The company should comply with the provisions of the policy contract.

**Statutory Notices**

- The company should add the TDD number on their Important Information Regarding Your Insurance notice.

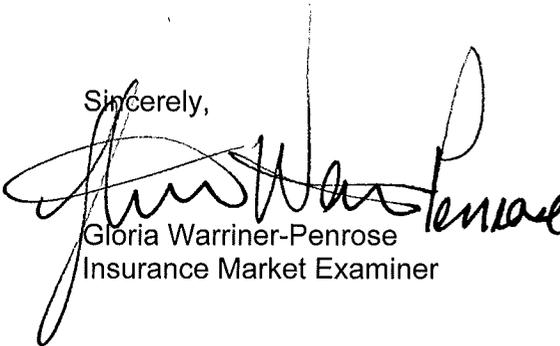
**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

**ACKNOWLEDGEMENT**

The Bureau acknowledges the officers' and employees' response to requests from the Bureau during the course of the examination.

Sincerely,

A handwritten signature in black ink, appearing to read "Gloria Warriner-Penrose". The signature is fluid and cursive, with a large initial "G" and "W".

Gloria Warriner-Penrose  
Insurance Market Examiner

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

September 26, 2013

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Steve Grizzle  
AVP Compliance & Risk Management  
Alfa Vision Insurance Company  
210 Westwood Place Suite 200  
Brentwood, TN 37027

RE: Market Conduct Examination  
Alfa Vision Insurance Corporation NAIC# 12188  
Alfa Specialty Insurance Corporation NAIC# 11004  
Examination Period: January 1, 2012–December 31, 2012

Dear Mr. Grizzle:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of January 1, 2012, through December 31, 2012. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since August 13, 2013. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the company, I would urge you to closely review the report. Please provide a written response. When the company responds, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The company does not need to respond to any particular item with which it agrees. If the company disagrees with an item or wishes to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the report or modify a violation unless the company provides written documentation to support its position.

Secondly, the company should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

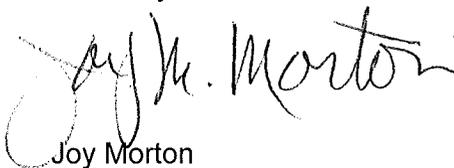
Thirdly, if the company has comments it wishes to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by November 4, 2013.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, looping initial "J".

Joy Morton  
Supervisor  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)



*Alfa Specialty Insurance Corporation  
Alfa Vision Insurance Corporation  
The Vision Insurance Group, LLC*

November 1, 2013

Ms. Joy Morton  
Supervisor, Market Conduct Section  
Property & Casualty Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218



RE: Market Conduct Examination  
Alfa Vision Insurance Corporation NAIC# 12188  
Alfa Specialty Insurance Corporation NAIC# 11004  
Examination Period: January 1, 2012-December 31, 2012

Dear Ms. Morton:

Alfa Vision/Alfa Specialty has received and reviewed the Preliminary Market Conduct Examination Report dated September 26, 2013. Included with this letter is the Company's response to the report using the same format as found in the Report. In Part One of the response, the Company has only responded to the items where we disagree with the Bureau's findings or where we are providing additional documentation. In Part Two of the response, the Company has addressed all of the items in the corrective action plan. We are including a CD with copies of all supporting documentation as well as the spreadsheet with the review items for which the examiners identified overcharges (rating and underwriting) and underpayments (claims).

Should you have any questions or need additional assistance, please do not hesitate to contact me at 615-312-2509.

Regards,

# Steve Grizzle

Steve Grizzle  
AVP, Compliance and Risk Management  
Alfa Vision & Alfa Specialty Insurance Companies  
615-312-2509  
[sgrizzle@alfainsurancecompany.com](mailto:sgrizzle@alfainsurancecompany.com)

## **PART ONE – THE EXAMINERS’ OBSERVATIONS**

### **TERMINATION REVIEW**

#### **Company – Initiated Cancellation – Automobile Policies**

##### **NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE**

- 4) Please see the proof of mailing included in this response for this violation.

#### **All Other Cancellations – Automobile Policies**

##### **NONPAYMENT OF THE PREMIUM**

- 3) Please see the proof of mailing included in this response for these violations. We are including proof for review sheets 816432512 and 994286087.

### **CLAIMS REVIEW**

#### **Private Passenger Automobile Claims**

- 5) Of the seven violations found of 14 VAC 5-400-70(A), the Company maintains three of the violations fall contrary to the administrative code being cited concerning written claim denials. Under 14 VAC 5-400-20, a “Claim” is defined as a demand for payment by a claimant and does not mean an inquiry concerning coverage. Two of the violations noted (BOI Reference Numbers CPA023 and CPA094) involve miscellaneous charges found on rental bills. In each case, the Company set up a direct billing for the claimant with a reputable rental company. When the rental period was complete, the rental company submitted a bill which included charges for the Company to pay and charges which the claimant paid directly. In neither case did the claimant request reimbursement or make a demand against the Company for payment of the charges personally incurred, thus a written denial was not required according to Administrative Code. One violation (CPA018) involved a claim filed by the policyholder who was operating a vehicle not listed on the policy. The policy in question carried Liability and Uninsured Motorist coverage, and the Company confirmed that the insurer for the unlisted vehicle agreed to provide coverage on a primary basis to the policyholder. At no time did the Company receive a claim (demand for payment) which was denied, and thus the Company believes a written denial was unwarranted.
- 9) The company feels that our current investigative standards are reasonable and in line with industry practices. We conduct thorough investigations into coverage and liability to ensure that we are paying legitimate claims. To handle our claims otherwise would have a negative impact on the rates being paid by all of our policyholders as it would increase our overall loss cost and future permissible loss ratios. While we disagree with some of the violations noted by the Examiners, we give great deference to the feedback provided and have implemented

training to address these concerns. We will continue to strive to provide settlements to legitimate claims in the shortest amount of time possible.

## **REVIEW OF THE POLICY ISSUANCE PROCESS**

### **Automobile Policies**

#### **NEW BUSINESS POLICIES**

- 2) The Company disagrees with the violations noted in this section of the report. This information is on page 66 of our policy form which is provided to the insured at new business. While the Company acknowledges that the information was not provided in the correct location and format that the original data call for the examiners had requested, we do provide all of this information to our insureds at new business. The Company concedes that the BOI informed us that this data call was an area where we could not provide the information at a later date, but that does not mean that we are in violation of the aforementioned statutes.
- 4) The Company disagrees with the violations noted in this section of the report. This information is in our privacy policy which is provided to all insureds by the agent at new business. The Company did not provide this information to the examiners in the initial data call due to a misinterpretation of the wording of the data request by the Company. In responding to the data call, the Company only provided the documents generated at the corporate office that are sent to the insured at new business. The Company did not provide the documents that are generated and provided to the insured at the agent's office. The Company concedes that there may have been a misunderstanding between the BOI and the Company, but that does not mean that we are in violation of the aforementioned statutes.
- 5) The Company disagrees with the violations noted in this section of the report. This information is on page 63 of our policy form which is provided to the insured at new business. While the Company acknowledges that the information was not provided in the correct location and format that the original data call for the examiners had requested, we do provide all of this information to our insureds at new business. The Company concedes that the BOI informed us that this data call was an area where we could not provide the information at a later date, but that does not mean that we are in violation of the aforementioned statutes.
- 6) The Company disagrees with the violations noted in this section of the report. This information is on page 65 of our policy form which is provided to the insured at new business. While the Company acknowledges that the information was not provided in the correct location and format that the original data call for the examiners had requested, we do provide all of this information to our insureds at new business. The Company concedes that the BOI informed us that this data call was an area where we could not provide the information at a later date, but that does not mean that we are in violation of the aforementioned statutes.

- 7) The Company disagrees with the violations noted in this section of the report. This information is in our privacy policy which is provided to all insureds by the agent at new business. The Company did not provide this information to the examiners in the initial data call due to a misinterpretation of the wording of the data request by the Company. In responding to the data call, the Company only provided the documents generated at the corporate office that are sent to the insured at new business. The Company did not provide the documents that are generated and provided to the insured at the agent's office. The Company concedes that there may have been a misunderstanding between the BOI and the Company, but that does not mean that we are in violation of the aforementioned statutes.

#### **RENEWAL BUSINESS POLICIES**

- 3) The Company disagrees with the violations noted in this section of the report. This information is in our privacy policy which is provided to all insureds with each renewal offer sent. Documentation was sent to the examiners with the last response on each of these criticisms and we are also including them with this response. The same renewal offer documentation supporting this issue also addresses the issue in number 4 of this section.
- 4) The Company disagrees with the violations noted in this section of the report. This information is in our privacy policy which is provided to all insureds with each renewal offer sent. Documentation was sent to the examiners with the last response on each of these criticisms and we are also including them with this response. The same renewal offer documentation supporting this issue also addresses the issue in number 3 of this section.

#### **REVIEW OF STATUTORY NOTICES**

- 4) The Company disagrees with this finding as the Company has previously provided copies of the AUD notice for both Alfa Vision and Alfa Specialty in response to criticisms 1695817923 and 2043118249. We are including them with this response.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Rating and Underwriting Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred. The issues have been addressed and refunds have been remitted to the insureds.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts. A 6% simple interest was calculated by the Bureau for each refund and included in the payment.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file. Please see the attached "Rating Overcharges Cited during the Examination" file.
- (4) Include accurate information in the policy by listing the policy fee and endorsements that are applicable to the policy on the declarations page. The declarations page has been amended to include policy fees and applicable endorsements on new, renewal, and amended versions. All portions of this project were completed and installed as of August 19, 2013.
- (5) Provide the Accident Point Surcharge notice to the insured when the companies surcharge the policy for an at-fault accident. A project has been opened to provide this notice with our renewal offer when an at-fault accident has been added to the policy during the current term. We anticipate the completion of this project and installation during the 1<sup>st</sup> quarter of 2014.
- (6) Properly represent the Customized Equipment coverage by not requiring a signed notice that restricts the policy provisions in the Standard Auto form. As stated in the original response, the document in question was not a company document, nor did we require any policyholder to sign the document. We have, however, instructed our agent that created and used the document of its noncompliance with VA statutes and that it is not to be used in the future.
- (7) Provide the insured the Notice of Information Collection and Disclosure Practices. We have amended our application to address this issue and it will be put into production November 23, 2013.
- (8) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, symbols, base and/or final rates, tier eligibility, driver classifications, rounding rules, obtaining the MVR and CLUE reports, credit information and the file ruled regarding an unlicensed spouse. Filing VSGP-129033393 was submitted for Alfa Specialty with an effective date of May 20, 2013 to address the issues identified in the market conduct examination. Filing VSGP-129249745 has been submitted for Alfa Vision with a requested effective date of October 21, 2013 to address the issues identified in the market conduct examination.

- (9) Remove any reference to excluded drivers from the application for automobile coverage. We have amended our application to address this issue and it will be put into production November 23, 2013.
- (10) Use credit information that was obtained within 90 days of writing the policy. The issue identified by the Bureau here was a programming error that was limited to a timeframe in the past and will not recur. We will only use the credit information collected at new business and at the 3 year renewal for remarketing, unless requested by the policyholder to review credit information earlier, in keeping with statute. All of these reports will only be used if obtained within 90 days of writing the new business policy or renewal of the policy.

### **Termination Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred. The issues have been addressed and refunds have been remitted to the insureds.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts. A 6% simple interest was calculated by the Bureau for each refund and included in the payment.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file. Please see the attached "Termination Overcharges Cited during the Examination" file.
- (4) Specify accurate information in the policy by disclosing all fees, charges and premiums. We have amended our application to address this issue and it will be put into production November 23, 2013.
- (5) Provide a written AUD notice to the insured and/or applicant. The company has created a project to provide a printable screen for insureds and applicants during the rating process showing the AUD notice. We anticipate the completion of this project and installation during the 1<sup>st</sup> quarter of 2014.
- (6) Calculate earned premium according to filed rules and policy provisions. This issue was a result of our earning calculation of the policy fee which is different than our premium earning calculation. We have set up a project to change it to match our premium calculation. This project will require extensive changes to our billing programs, so we anticipate the installation of this change during the 1<sup>st</sup> quarter of 2014.
- (7) Send the insured written notice of cancellation at least 45 days before the effective date of cancellation when the notice is mailed after the 59<sup>th</sup> day of coverage. The Company will send written notice of cancellation in accordance with Virginia regulations.

- (8) Obtain and retain valid proof of mailing cancellation notices to the lienholder. This issue has been addressed in Part One of this report and we have provided proof of mailings on all policies noted in this report.
- (9) Provide the Notice of Insurance Information Collection and Disclosure Practices to the applicant. A display has been programmed in our system to notify agents and applicants of our insurance information collection and disclosure practices during the application process. A screen shot of the language is attached.

### **Claims Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Correct the errors that caused the overpayments and underpayments and send the amount of the underpayment to insureds and claimants. The issues were addressed with the adjusters and managers in April of 2013, and we have implemented a process to reduce the risk of future errors of this nature. Refunds have been remitted to the insureds.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants. A 6% simple interest was calculated by the Bureau for each refund and included in the payment.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file. Please see the attached "Claims Underpayments Cited during the Examination" file.
- (4) Document the claim file so that all events and dates pertinent to the claim can be reconstructed. The Company continues to strive to properly document all events and dates pertinent to all claims. The examples noted by the Examiners have been reviewed with management, and we continually train and educate claims personnel in the proper manner to fully document the claim files.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Physical Damage coverage, Transportation Expenses coverage and Uninsured Motorists coverage including rental benefits. The Company has provided additional training to claim adjusters and managers educating them on the requirement to document the claim files that all applicable coverages have been discussed with our insureds.
- (6) Make all claim denials in writing and keep a copy of the written denial in the claim file. The Company has provided additional training to claim adjusters and managers educating them on the requirement to issue all denials in writing and keep a copy of the written denial in the claim file.
- (7) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions. The Company has provided additional training to claim adjusters and managers educating them on the requirement to make fair and reasonable offers while paying claims in accordance with the

policy provisions.

- (8) **Implement reasonable standards for the prompt investigation of claims.** While the Company disagrees with some of the findings (especially those involving investigations into material misrepresentation on the policy application), the Company has provided additional training to claim adjusters and managers covering the findings and methods to accelerate investigations in an effort to ensure they are deemed prompt.

#### **Forms Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) **Use the rate classification statement filed and approved by the Bureau.** The forms listed on the declarations page have been updated to clarify all forms applicable to each policy including the rate classification statement.
- (2) **Use the required standard automobile forms filed and adopted by the Bureau.** Filing VSGP-129265178 has been filed for Alfa Specialty and filing VSGP-129265129 has been filed for Alfa Vision to amend the policy used by each Company. We believe these filings address all of the issues identified in the market conduct examination.

#### **Review of Policy Issuance Process**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) **Specify the required information in the policy by listing and attaching all of the applicable forms.** With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending a separate list of all applicable forms with the new and renewal business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
- (2) **Provide the Notice of Important Information Regarding Your Insurance.** With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
- (3) **Provide the Notice of Information Collection and Disclosure Practices with new business policies as required.** With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
- (4) **Provide the Notice of Financial Information Collection and Disclosure Practices.** With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This will

- be implemented once we receive approval from the Bureau of Insurance on our policy filing.
- (5) **Provide the Rejection of Higher Uninsured Motorist Limits notice to the insured at new business.** This information is already provided to our insureds in our policy, which is provided at new business. However, with the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
  - (6) **Provide the rating classifications statement with new business policies as required.** This information is already provided to our insureds in our policy, which is provided at new business. However, with the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
  - (7) **Provide the Credit Adverse Action notice with new business policies as required.** This information is already provided to our insureds in our policy, which is provided at new business. However, with the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.

#### **Review of Statutory Notices**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) **Amend the Important Information Regarding Your Insurance notice to comply with § 38.2-305 B of the Code of Virginia.** With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This issue will be addressed with this change. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.
- (2) **Develop the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.** This form is in the development stages and once completed will be made available to our insureds at their request. We estimate this form will be available by December 15, 2013.
- (3) **Develop the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.** This form was inadvertently removed from our Alfa Specialty application and was added back in January 2013.
- (4) **Develop the AUD notice to comply with § 38.2-610 A of the Code of Virginia.** Please see our response below from section one of this report related to this issue. "The Company disagrees with this finding as the Company has previously provided copies of the AUD notice for both Alfa Vision and Alfa Specialty in response to criticisms 1695817923 and 2043118249. We are including them with this response."

- (5) Amend the Uninsured Motorist Limits notice to comply with § 38.2-2202 B of the Code of Virginia. With the filing (VSGP-129265178 and VSGP-129265129) of our policy, we will begin a new process of sending all applicable notices (printed separately) with the new and renewal business policy. This issue will be addressed with this change. This will be implemented once we receive approval from the Bureau of Insurance on our policy filing.

#### **Licensing and Appointment Review**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Appoint agents within 30 days of the application.  
We will appoint agents within 30 days of the application.

#### **Review of the Complaint-Handling Process**

Alfa Vision Insurance Corporation and  
Alfa Specialty Insurance Corporation shall:

- (1) Maintain a complete complaint register that is in compliance with § 38.2-511 of the Code of Virginia.  
We have developed and are now using a complaint register that contains the appropriate records to comply with § 38.2-511 of the Code of Virginia.

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/bo>

January 9, 2014

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Steve Grizzle  
AVP Compliance & Risk Management  
Alfa Vision Insurance Company  
210 Westwood Place Suite 200  
Brentwood, TN 37027

RE: Market Conduct Examination  
Alfa Vision Insurance Corporation NAIC# 12188  
Alfa Specialty Insurance Corporation NAIC# 11004  
Examination Period: January 1, 2012 –December 31, 2012

Dear Mr. Grizzle:

The Bureau of Insurance (Bureau) has reviewed your November 1, 2013 response to the Preliminary Market Conduct Report (Report) of Alfa Vision Insurance Corporation and Alfa Specialty Insurance Corporation (Company). The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINER'S OBSERVATIONS

### Termination Review

### Company Initiated Cancellations

### NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE

- 4) The violation for TPA022 remains in the Report. The Lexis Nexis printout provided in response to the Report is not enough information by itself for this item to be withdrawn. Please provide the mailing list applicable to the loss payee notification service notice provided.

### Nonpayment of Premium

- 3) The violations for TPA025 and TPA026 remain in the Report. The Lexis Nexis printout provided in response to the Report is not enough information by itself

for this item to be withdrawn. Please provide the mailing list applicable to the loss payee notification service notice provided.

## **Claims**

### **Private Passenger Automobile Claims**

- 5) After review the violations for CPA018 and CPA023 are withdrawn.

The violation for CPA094 remains in the Report. Transportation Expenses Coverage if purchased responds on an expenses incurred basis. The insured incurred the expenses and the per occurrence limit had not been exhausted. When denying to pay for an incurred expense the company should send the insured a written denial outlining the provisions in the contract that would exclude the incurred expense.

## **Policy Issuance**

### NEW BUSINESS POLICIES

- 2-7) The violations in these sections remain in the Report. By the company's own admission the required documentation for the Policy Issuance review was not sent to the Bureau with the company's initial submission. During the January 4, 2013, conference call the Bureau outlined the requirements for the delivery of documents for the Policy Issuance review, and that this is the one area of the examination that the company would not be able to submit information after receiving the violations.

### RENEWAL BUSINESS POLICIES

- 3-4) The violations in these sections remain in the Report. By the company's own admission the required documentation for the Policy Issuance review was not sent to the Bureau with the company's initial submission. During the January 4, 2013, conference call the Bureau outlined the requirements for the delivery of documents for the Policy Issuance review, and that this is the one area of the examination that the company would not be able to submit information after receiving the violations.

## **Notices**

### **General Statutory Notices**

- 4) The violations for NGS008 and NGS011 remain in the Report. The November 1, 2013 response to the Report did not include an Adverse Underwriting Decision Notice (AUD). The notices provided in response to the review sheets were termination notices. The company should review § 38.2-610 A

and the prototype provided in Administrative Letter 1981-16 and develop an AUD notice for those instances when an adverse decision has been made that does not terminate coverage.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Rating and Underwriting**

- 3) The overcharge in the Restitution Spreadsheet for RPA082 has been withdrawn. The overcharge for RPA016 remains in the spreadsheet. The screen print provided for RPA016 shows a different name than the name in the population files and the name on the policy. Please explain why this name is different for re-consideration.
- 7) Please provide a copy of the amended application.
- 9) Please provide a copy of the amended application.

### **Policy Issuance**

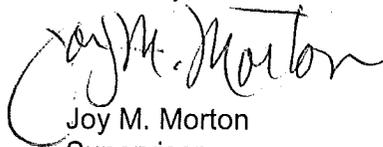
Notices are not subject to filing approval. The notices should be sent with your response to the Report for review by the Market Conduct team.

### **Notices**

Notices are not subject to filing approval. The notices should be sent with your response to the Report for review by the Market Conduct team.

We have made the changes noted above to the Report. Enclosed with this letter is a revised version of the Report, technical reports any review sheets withdrawn or amended as well as an amended restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by February 13, 2014.

Sincerely,



Joy M. Morton  
Supervisor  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

Enclosures



*Alfa Specialty Insurance Corporation  
Alfa Vision Insurance Corporation  
The Vision Insurance Group, LLC*

January 31, 2014

Ms. Joy Morton  
Supervisor, Market Conduct Section  
Property & Casualty Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

RE: Market Conduct Examination  
Alfa Vision Insurance Corporation NAIC# 12188  
Alfa Specialty Insurance Corporation NAIC# 11004  
Examination Period: January 1, 2012-December 31, 2012

Dear Ms. Morton:

Alfa Vision/ Alfa Specialty has received and reviewed the latest correspondence from the Bureau dated January 9, 2014. Included with this letter is the Company's response to the issues identified in your latest letter using the same format. The Company is only responding to the issues where there is additional information for the examiners to consider or where the Company continues to feel it necessary to assert a position different than that taken by the Bureau. We are including a CD with copies of all supporting documentation.

Should you have any questions or need additional assistance, please do not hesitate to contact me at 615-312-2509.

Respectfully,

*Steve Grizzle*

Steve Grizzle  
AVP, Compliance and Risk Management  
Alfa Vision & Alfa Specialty Insurance Companies  
615-312-2509  
[sgrizzle@alfainsurancecompany.com](mailto:sgrizzle@alfainsurancecompany.com)

## **PART ONE – THE EXAMINERS’ OBSERVATIONS**

### **TERMINATION REVIEW**

#### **Company – Initiated Cancellation – Automobile Policies**

##### **NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE**

4) As requested in your reply we are including the original document provided to the Bureau along with the mailing proof. The mailing proof does not show the insured’s name or policy number, but the “Customer Reference ID” and the “Mail Piece ID” match the 2 documents together.

#### **All Other Cancellations – Automobile Policies**

##### **NONPAYMENT OF THE PREMIUM**

3) As requested in your reply we are including the original document provided to the Bureau along with the mailing proof. The mailing proof does not show the insured’s name or policy number, but the “Customer Reference ID” and the “Mail Piece ID” match the 2 documents together.

#### **Policy Issuance**

##### **NEW BUSINESS POLICIES**

2-7) While we acknowledge that due to our oversight we did not include all items in your audit request, the Company continues to respectfully assert its compliance with 38.2-305 B, 38.2-604 A, 38.2-604.1 A, 38.2-2202 B, 38.2-2214, and 38.22-2234 A. All of the information is provided to our insureds at new business issuance as we have previously stated. The Company’s failure to properly provide the information to the market conduct team as instructed does not place the company in violation of these statutes.

3-4) While we acknowledge that due to our oversight we did not include all items in your audit request, the Company continues to respectfully assert its compliance with 38.2-604 A and 38.2-604.1 A. All of the information is provided to our insureds at renewal business issuance as we have previously stated. The Company’s failure to properly provide the information to the market conduct team as instructed does not place the company in violation of these statutes.

#### **Notices**

##### **General Statutory Notices**

4) The Company has reviewed 38.2-610 A and the prototype provided in Administrative Letter 1981-16 and feels that the language provided in our initial response is substantially similar to the prototype. The example provided was from a termination, but the language on page 2 of

the notice is the AUD that is currently in use by the Company. We are including another copy of our AUD notice along with the prototype for comparison by the examiner. Please advise us if this is insufficient for use in situations that does not terminate coverage.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Rating and Underwriting**

- 3) The overcharge in the Restitution Spreadsheet for RPA082 has been withdrawn. The overcharge for RPA016 remains in the spreadsheet. The screen print provided for RPA016 shows a different name than the name in the population files and the name on the policy. Please explain why this name is different for re-consideration. Please see the declarations page included showing a driver on the policy as the person that provided the payment that was subsequently returned for non sufficient funds by the bank. We are also including the original NSF notice.
- 7) Please provide a copy of the amended application. Please see the amended application included with this response.
- 9) Please provide a copy of the amended application. Please see the amended application included with this response.

### **Policy Issuance**

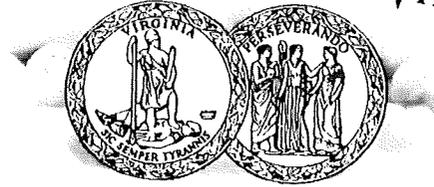
Notices are not subject to filing approval. The notices should be sent with your response to the Report for review by the Market Conduct team. See the notices included with this response.

### **Notices**

Notices are not subject to filing approval. The notices should be sent with your response to the Report for review by the Market Conduct team. See the notices included with this response.

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

February 18, 2014

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Steve Grizzle  
AVP Compliance & Risk Management  
Alfa Vision Insurance Company  
210 Westwood Place Suite 200  
Brentwood, TN 37027

RE: Market Conduct Examination  
Alfa Vision Insurance Corporation NAIC# 12188  
Alfa Specialty Insurance Corporation NAIC# 11004  
Examination Period: January 1, 2012 –December 31, 2012

Dear Mr. Grizzle:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of January 31, 2014. Based upon the Bureau's review of the companies' letter, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Alfa Vision Insurance Corporation and Alfa Specialty Insurance Corporation (Report).

The Report has been amended to reflect the following changes:

### PART ONE – EXAMINER'S OBSERVATIONS

#### Termination Review

#### Company Initiated Cancellations

#### NOTICE MAILED AFTER THE 59<sup>TH</sup> DAY OF COVERAGE

- 4) The Company provided additional information; as such the violation for TPA022 has been removed from the Report. The Report has been renumbered to reflect this change.

#### Nonpayment of Premium

- 3) The Company provided additional information; as such the violations for TPA025 and TPA 026 have been removed from the Report. The Report has been renumbered to reflect this change.

## **Policy Issuance**

### NEW BUSINESS POLICIES

- 2-7) The violations in these sections remain in the Report. By the company's own admission the required documentation for the Policy Issuance review was not sent to the Bureau with the company's initial submission. During the January 4, 2013, conference call the Bureau outlined the requirements for the delivery of documents for the Policy Issuance review.

### RENEWAL BUSINESS POLICIES

- 3-4) The violations in these sections remain in the Report. By the company's own admission the required documentation for the Policy Issuance review was not sent to the Bureau with the company's initial submission. During the January 4, 2013, conference call the Bureau outlined the requirements for the delivery of documents for the Policy Issuance review.

## **Notices**

### **General Statutory Notices**

- 4) The violation for NGS011 remains in the Report. This is not the notice sent to the Bureau for review. Enclosed is a copy of the company signed page 7 of the Data Call Manual showing that the company did not have an AUD notice during the examination period until November 2012.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Rating and Underwriting**

- 3) The overcharge in the Restitution Spreadsheet for RPA016 has been withdrawn.

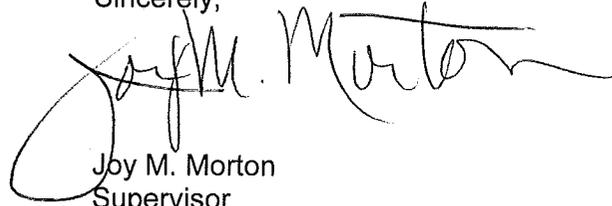
Based upon the Bureau's review and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-305 A, 38.2-305 B, 38.2-310, 38.2-502, 38.2-510 A 3, 38.2-511, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1 A, 38.2-610 A, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2202 B, 38.2-2204, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2234 A, and 38.2-2234 B of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy M. Morton". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

Joy M. Morton  
Supervisor  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/



Mary Bannister  
Deputy Commissioner  
Property and Casualty  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

February 28, 2014

RE: Market Conduct Examination Settlement Offer

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter dated February 24, 2014, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2-305 A, 38.2-305 B, 38.2-310, 38.2-502, 38.2-510 A 3, 38.2-511, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1 A, 38.2-610 A, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2202 B, 38.2-2204, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2212 F, 38.2-2214, 38.2-2220, 38.2-2234 A, and 38.2-2234 B of the Code of Virginia; and 14 VAC 5-400-30, VAC 5-400-40 A, AND 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$42,500.00.
2. We agree to comply with the corrective action plan set forth in the companies' letters of November 1, 2013 and January 31, 2014.
3. We confirm that restitution was made to 70 consumers for \$10,276.64 in accordance with the companies' letters of November 1, 2013 and January 31, 2014.
4. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

400098

Sincerely,

John Pace  
President  
Alfa Vision Insurance Corporation  
Alfa Specialty Insurance Corporation

Date

2/28/14

Enclosure

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

Alfa Vision Insurance Company and Alfa Specialty Insurance Corporation have tendered to the Bureau of Insurance the settlement amount of \$42,500.00 by their check numbered 006662 and dated February 27, 2014, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 25, 2014

OFFICE OF THE  
ATTORNEY GENERAL

2014 MAR 25 P 2: 21

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2014-00031

ALFA VISION INSURANCE CORPORATION  
and  
ALFA SPECIALTY INSURANCE CORPORATION,  
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Alfa Vision Insurance Corporation and Alfa Specialty Insurance Corporation (collectively, "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated: §§ 38.2-305 A and 38.2-305 B of the Code of Virginia ("Code") by failing to provide the information required by the statute; § 38.2-310 of the Code for failing to state all fees in the policies; § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of insurance policies; § 38.2-511 of the Code by failing to maintain complete complaint registers; §§ 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1 A, 38.2-610 A, 38.2-1905 A, 38.2-2202 B, and 38.2-2234 A of the Code by failing to provide the required notices to insureds; § 38.2-1833 of the Code by failing to appoint agents within 30 days of the application; § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendants; § 38.2-2204 of the Code by failing to provide coverage to the named insured and any other person using or responsible for the use of the motor vehicle; §§ 38.2-2208 B, 38.2-2212 D,

140320141

38.2-2212 E, and 38.2-2212 F of the Code by failing to properly terminate insurance policies; §§ 38.2-2214 and 38.2-2220 of the Code by failing to use forms in the precise language filed and approved by the Bureau; § 38.2-2234 B of the Code by failing to use credit information obtained to rate policies; and § 38.2-510 A (3) of the Code, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to the Commonwealth the sum of Forty-two Thousand Five Hundred Dollars (\$42,500), waived their right to a hearing, agreed to comply with the corrective action plan set forth in their letters to the Bureau dated November 1, 2013, and January 31, 2014, and confirmed that restitution was made to 70 consumers in the amount of Ten Thousand Two Hundred Seventy-six Dollars and Sixty-four cents (\$10,276.64).

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Steve Grizzle, AVP Compliance & Risk Management, Alfa Vision Insurance Company, 210 Westwood Place, Suite 200, Brentwood, Tennessee 37027; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.