



REPORT ON
MARKET CONDUCT EXAMINATION

of the

GREENVILLE CASUALTY INSURANCE COMPANY
Greer, South Carolina

BY REPRESENTATIVES OF THE
NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

April 8, 2013

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Raleigh, North Carolina
April 8, 2013

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
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430 N. Salisbury Street
Raleigh, North Carolina 27603

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

Honorable Commissioner and Honorable Director:

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

GREENVILLE CASUALTY INSURANCE COMPANY (NAIC #11128)

NAIC Exam Tracking System Exam Number: NC299-M24

Greer, South Carolina

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of Greenville Casualty Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This examination commenced on January 28, 2013 and covered the period of January 1, 2008 through December 31, 2011 with analyses of certain operations of the Company being conducted through April 8, 2013. All comments made in this report reflect conditions observed during the period of the examination.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of policyholder treatment, marketing, underwriting practices, terminations, and claims practices.

It is the Department's practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints, sales and advertising, producers who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the company.

EXECUTIVE SUMMARY

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

Consumer Complaints – complaints not listed on company register, files not provided for review, response time to Departmental inquiries, NAIC company code not included on Company response, and incomplete file documentation.

Privacy of Financial and Health Information – the Company had not adopted a privacy notice or procedures.

Policy Forms and Filings – use of unfiled declaration page for private passenger automobile.

Appointment and Termination of Producers – failure to provide confirmation of appointment, failure to perform background checks on appointed producers, and failure to notify the producers of termination.

Underwriting Practices – applications accepted from producers who were not properly appointed, and rating errors.

Terminations – failure to issue the North Carolina Notice of Termination form (FS-4) to the Division of Motor Vehicles (DMV), documentation notifying the lienholder of cancellation was not provided, and proof of mailing was not provided.

Claims – invalid receipts, and incomplete file documentation.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking “INSURANCE DIVISIONS” then “Legislative Services”.

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

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company's practices and ensure consumer protection.

COMPANY OVERVIEW

History and Profile

Greenville Casualty Insurance Company was incorporated on March 17, 1999 in the State of South Carolina and commenced business on July 27, 2001. In 2007, the Company became licensed in North Carolina and started writing business via established affiliated North Carolina agencies.

The Company is owned by Leon Hix and the administration of the Company's affairs is under the direction of Mark Anthony Hix, President.

Company Operations and Management

The Company is a writer of private passenger automobile and some accident insurance, and is licensed in North Carolina and South Carolina.

Direct written premium for the Company's 2011 countrywide property and casualty operations was \$10,344,496. North Carolina's production for the same period was \$7,269,332. Premiums written in North Carolina between 2008 and 2011 increased approximately 615.9 percent. The charts below outline the Company's mix of business for selected lines in 2011 and loss ratios in North Carolina for the examination period.

Line of Business	Written Premium	Percentage
Private Passenger Automobile	\$6,129,287	84.3
Accident Only	\$1,140,045	15.7
Total	\$7,269,332	100.0

Year	Written Premium	Earned Premium	Incurred Losses*	Loss Ratio
2008	\$1,015,476	\$ 338,798	\$ 187,269	55.3
2009	\$8,398,906	\$6,640,578	\$7,639,203	115.0
2010	\$9,117,984	\$9,324,277	\$9,371,393	100.5
2011	\$7,269,332	\$7,710,873	\$8,329,308	108.0
*Does not include IBNRs				

Certificates of Authority

The Certificates of Authority issued to the Company were reviewed for the period under examination. These certificates were reviewed to determine compliance with the provisions of NCGS 58-7-15. The Company's writings in North Carolina were deemed to be in compliance with the authority granted.

Disaster Recovery Procedures

The Company has established disaster recovery procedures to specifically address protection and recovery of information in the event of an unexpected and unscheduled interruption. Backup processes are in place to reduce the loss of data. The process consists of disk to disk backups using Genie Backup Manager Server software. Full backups of the Company's server are done on a weekly basis and incremental backups are done daily. Backup for External USB Drives are done as an alternative method of backup and are done daily by using two USB drives, one for backups on Mondays, Wednesdays, and Thursdays and the other for Tuesdays and Fridays. The USB backups are kept offsite for safekeeping and disaster recovery purposes.

Rate Evasion Procedures

The Company has established procedures to address nonfleet private passenger automobile insurance rate evasion fraud by identifying any ineligible risk as defined in NCGS 58-37-1(4a) and verifying residency of the policyholder who owns a motor vehicle registered or

principally garaged in North Carolina. The Company was found to be in compliance with the provisions of NCGS 58-2-164.

POLICYHOLDER TREATMENT

Consumer Complaints

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

The Company's complaint register was reconciled with a listing furnished by the Consumer Services Division of the Department. All complaints from the Department's listing of 54 were selected for review.

The Company was deemed to be in apparent violation of the provisions of Title 11 of the North Carolina Administrative Code, (NCAC), Chapter 19, Section 0103 as 6 complaints (11.1 percent error ratio) was not listed on the Company's complaint register.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0103, and 19.0106(a)(2) as 5 complaint files (9.3 percent error ratio) were not provided for review.

The distribution of complaints requiring a response to the Department is shown in the chart below.

Type of Complaint	Total
Claims	47
Underwriting	7
Total	54

The Company's response to each complaint was deemed to be appropriate to the circumstances. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as 14 of the complaints reviewed (25.9 percent error ratio) were responded to in excess of the 7 calendar day requirement of this rule.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as 6 responses to Departmental inquiries (11.1 percent error ratio) did not contain the Company's National Association of Insurance Commissioners company code. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0103, and 19.0106(a)(2) as 5 complaint files (9.3 percent error ratio) did not contain a copy of the consumer's complaint and/or a copy of the company response.

The average service time to respond to a Departmental complaint was 9 calendar days.

A chart of the Company's response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	38	70.4
8 - 14	7	13.0
15 - 21	2	3.7
22 - 30	5	9.2
31 - 60	2	3.7
Total	54	100.0

Privacy of Financial and Health Information

The Company was deemed to be in apparent violation of the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27 as it had not adopted a privacy notice or procedures. This issue has been addressed and is being rectified by the Company. The Company has begun to implement policies and procedures so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. Filings for the private passenger automobile line of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for this line of business were made to the Department by the Company.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150(a) and 11 NCAC 10.1201(c) as the Private Passenger Automobile Policy declarations page had not been filed with and approved by the Department.

Sales and Advertising

Sales and advertising practices of the Company were reviewed to determine compliance with the provisions of NCGS 58-63-15.

The Company sells its products through its affiliate, Leon Hix Insurance Agency, Inc. as well as independent agents. The Company does not do any direct marketing or advertising. The Company does put marketing materials on its website located at <https://web.greenvillecasualty.com>. Producers must use the web application in order to conduct business with the company and thus are exposed to the materials from that application. The company has sent tri-fold brochures and post cards to agents in North Carolina from time to time. No unfair or deceptive trade practices were noted in this segment of the examination.

Social Media

The Company provided responses to the social media inquiries as requested in the interrogatories located in the Coordinator's Handbook. The Company does have a Facebook page but it does not allow comments and no advertisements are run on social media. The Company does not have a social media policy.

Producer Licensing

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

Fifty appointed producers were randomly selected and received for review from a population of 103. The Company was reminded of the provisions of NCGS 58-2-131, 58-2-185, and 11 NCAC 19.0106(a)(3) as 2 files provided (4.0 percent error ratio) were invalid receipts.

One of the producers was never appointed and 1 was a duplicate record. The review was based on the remaining 48 files.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), and 19.0106(a)(3) as it was unable to provide confirmation of appointment for 23 appointed producers reviewed (47.9 percent error ratio). The Company was deemed to be in apparent violation of the provisions of 11 NCAC 6A.0412(2) as background checks were not performed on 5 of the appointed producers reviewed (10.4 percent error ratio).

The entire population of 6 terminated producers was selected and received for review. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-56(d) as notification of termination was not sent to 4 of the terminated producers reviewed (66.7 percent error ratio).

Agency Management

The marketing effort in North Carolina is under the direction of the Marketing Representative, located at the home office in Greer, South Carolina. The Company has 48 active agencies with approximately 81 producers appointed in North Carolina. The Executive Vice President is responsible for the activities of the agency force and licensing. No formal reviews are held at this time.

UNDERWRITING PRACTICES

Overview

The Company's marketing philosophy in North Carolina focuses on private passenger automobile coverages. The Company's private passenger automobile policies were reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Private Passenger Automobile

The Company provided a listing of 38,786 active private passenger automobile policies issued during the period under examination. One hundred policies were randomly selected and received for review.

The Company's private passenger automobile policies were written on a 6 or 12 month basis. Liability coverages were written utilizing manual rates. Physical damage coverages were written using manual rates or on a consent to rate basis. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines.

The Company was reminded of the provisions of NCGS 58-37-40(f) and the North Carolina Reinsurance Facility Standard Practice Manual, Section 4, Chapter 13 as it failed to apply the recoupment surcharge on 9 policies reviewed (9.0 percent error ratio). The errors resulted in 9 premium undercharges to the insureds.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-26 and 58-33-40 as the producer was not properly appointed by the Company for 6 of the active files reviewed (6.0 percent error ratio).

The Company was reminded of the provisions of 11 NCAC 10.0602(a)(5) as proper consent to rate procedures were not followed on 5 policies reviewed (5.0 percent error ratio) as the premium for extended transportation expenses exceeded 550 percent of the North Carolina Rate Bureau premium.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-37-35(l) and NCGS 58-36-30(a) as 24 policies reviewed (24.0 percent error ratio) contained a total of 28 rating errors. The rating errors consisted of the following:

- Incorrect premium calculated for uninsured motorist coverage on 4 Non-owner's policies;
- Incorrect inexperienced operator surcharge on 4 policies;

- Incorrect liability and/or physical damage base rates for 12 policies;
- Incorrect Safe Driver Incentive Plan points applied on 2 policies;
- Incorrect territory was used to rate 5 policies; and
- Incorrect physical damage symbol used to rate 1 policy.

The consent to rate and rating errors resulted in 10 premium overcharges and 19 premium undercharges to the insureds. At the request of the examiners, refunds in the amount of \$704.00 were issued by the Company for the overcharges. The remaining premiums charged were deemed correct.

TERMINATIONS

Overview

The Company's termination procedures for its private passenger automobile policies were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules. Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable), and documentation of the policy file. A total of 25,820 policies were terminated during the period under examination. The examiners randomly selected 100 terminations for review.

Private Passenger Automobile Cancellations

One hundred cancelled private passenger automobile policies were randomly selected for review from a population of 25,820. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4) as 7 files were not provided for review (7.0 percent error ratio). The review was based on the remaining 93 files.

The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Nonpayment of premium	88	94.6
Insured's request	3	3.2
Finance company request	2	2.2
Total	93	100.0

The Company was not required to issue cancellation notices for 3 of the cancellations reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 90 policies stated the specific reason for cancellation. The Company was reminded of the provisions of NCGS 58-36-85(c) as it failed to provide sufficient notice of cancellation for 2 policies reviewed (2.2 percent error ratio).

The Company was reminded of the provisions of NCGS 58-36-30(a) and Rule 10 of the Personal Automobile Manual as the return premium was calculated incorrectly for 9 policies reviewed (9.7 percent error ratio). The errors resulted in an understatement of refund to 5 insureds and overstatement of refund to 4 insureds. At the request of the examiners, additional refunds were issued in the amount of \$130.90. The remaining premium refunds were deemed correct. The Company issued the refunds in a timely manner.

The Company was reminded of the provisions of NCGS 58-35-85(1)(2) as 1 file reviewed (1.1 percent error ratio) contained no documentation verifying that the premium finance company notified the insured not less than 10 days prior to cancellation of coverage or sent the insurer a request for cancellation. The Company was deemed to be in apparent violation of the provisions of NCGS 20-309.2 as 57 files reviewed (61.3 percent error ratio) contained no evidence that the FS-4 was submitted to the DMV when liability coverages were cancelled. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4) as 10 files reviewed (10.7 percent error ratio) contained no documentation verifying the lienholder was notified of the cancellation. The Company was

deemed to be in apparent violation of the provisions of NCGS 58-36-85(b) as proof of mailing was not provided for 11 files reviewed (11.8 percent error ratio).

The remaining files reviewed contained sufficient documentation to support the action taken by the Company.

Private Passenger Automobile Nonrenewals

The Company reported that no private passenger automobile policies were nonrenewed during the period under examination.

Rejected/Declined

The Company reported there were no rejected or declined applications during the examination period.

CLAIMS PRACTICES

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed paid, automobile medical payment, first and third party bodily injury, closed without payment, subrogated, total loss settlement, and litigated claims.

Claims service in North Carolina is under the direction of the Claim Manager and is provided from the home office located in Greer, South Carolina. The staff is comprised of the claim manager, 1 claim supervisor, 4 staff adjusters, and 2 clerical personnel. The staff adjusters handle the claims investigation and settlements. Independent appraisers are used for automobile appraisals. Independent adjusters have no check or draft authority. With regard to total losses, a salvage log is maintained and managed by the claim manager and claim supervisor. The Company uses their salvage vendor; Copart, to dispose of all third-party salvaged vehicles by auction. All first party salvage retained by the Company is disposed of through a locally contracted salvage company. The Company does not use preferred or contracted body shops.

Three hundred seventy-nine claims were randomly selected for review from a population of 8,986.

Paid Claims

The examiners randomly selected and received 100 of the 3,986 first party automobile physical damage and third party property damage claims paid during the period under examination. The claim files were reviewed for timeliness of payment, supporting documentation, and accuracy of payment.

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

Type of Claim	Payment Time
Automobile physical damage	14.0
Third party property damage	25.0

The deductibles were incorrectly applied on 2 claims (4.0 percent error ratio). The uninsured motorist property damage deductible was not applied on one of the claims and a \$250.00 deductible was applied rather than \$500.00 on the other. Depreciation taken was reasonable.

All claim files reviewed contained documentation to support the Company’s payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

First party automobile physical damage claims were not paid in a timely manner for 1 claim (2.0 percent error ratio) and 1 claim (2.0 percent error ratio) was paid when the policy did not provide physical damage coverage.

Third party property damage claims were not investigated in a timely manner for 1 claim (2.0 percent error ratio) and were not paid in a timely manner for 3 claims (6.0 percent error ratio). These matters could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

Automobile Medical Payment Claims

Fifty automobile medical payment claims were randomly selected and received for review from a population of 207. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. The review of automobile medical payment claims disclosed no apparent violations of the provisions of NCGS 58-63-15(11).

The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as it was unable to provide complete claim notes for 3 of the claim files reviewed (6.0 percent error ratio).

First and Third Party Bodily Injury Claims

Fifty first and third party bodily injury claims were randomly selected and received for review from a population of 1,560. The claim files were reviewed to determine whether the Company had engaged in any unfair claims practices.

The Company was reminded of the provisions of NCGS 58-37-35(l) as 1 file reviewed (2.0 percent error ratio) listed Uninsured Motorist/Underinsured Motorists limits on the declarations page for which the insured was not eligible.

Closed Without Payment Claims

Fifty closed without payment claims were randomly selected and received for review from a population of 2,109. The claim files were reviewed to determine if the Company's reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Company's reasons for closing the claims without payment. All reasons for denial or closing the files without payment were deemed valid. Claims were denied on an average of 14 calendar days for the 3-year period.

Subrogated Claims

All subrogated claims were selected and received for review from a population of 29. The claim files were reviewed to determine if the insured's deductible was properly reimbursed by the Company when subrogation was successful.

The insured's deductible was not reimbursed in a timely manner for 6 claim files reviewed (20.7 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice. The remaining reimbursements were deemed to be correct and were issued on a 3-year average of 3 calendar days from the date the Company collected the monies.

Total Loss Settlement Claims

Fifty total loss settlement claims were randomly selected and received for review from a population of 1,037. The claim files were reviewed to determine if the settlements were equitable and timely.

The Company primarily used Black Book values in addition to on-site and independent adjusters to establish the actual cash value of totaled vehicles. All settlements were deemed equitable.

The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as 2 files reviewed (4.0 percent error ratio) were missing multiple items of file documentation:

- 2 files did not contain a copy of the salvaged title;
- 2 files did not contain a copy of the Power of Attorney;
- 1 file did not contain an Odometer Statement; and
- 1 file did not contain a total loss evaluation report.

The Company settled the remaining claims in a timely manner. The payments were issued on a 3-year average of 23 calendar days. No apparent violations of the provisions of NCGS 58-63-15(11), 11 NCAC 4.0418, or 4.0421 were noted during this review.

Litigated Claims

Fifty litigated claims were randomly selected and received for review from a population of 58. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. The review of litigated claims disclosed no apparent violation of the provisions of NCGS 58-63-15.

The Company was deemed to be in apparent violation of the provisions of NCGS-58-2-131, NCGS 58-2-185, and 11 NCAC 19.0106 as 10 claim files provided for review (20.0 percent error ratio) were invalid receipts as they were not litigated claims. The review was based on the remaining 40 files.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as 6 claim files (15.0 percent error ratio) were missing multiple items of file documentation:

- 5 files provided did not contain a signed General Release;
- 4 files provided did not contain a copy of the Dismissal; and
- 1 file did not contain complete claim notes.

SUMMARY

The Market Conduct examination revealed the following:

1. Policyholder Treatment

- a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0103 as 11.1 percent of the consumer complaints reviewed were not listed on the Company's complaint register.
- b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0103, and 19.0106(a)(2) as 9.3 percent of the consumer complaints requested were not provided for review.

- c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as the responses to 25.9 percent of the Departmental inquiries reviewed were in excess of the 7 calendar day requirement of this rule.
- d. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as 11.1 percent of the responses to a Departmental inquiry did not include its National Association of Insurance Commissioners company code.
- e. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0103, and 19.0106(a)(2) as 9.3 percent of the consumer complaints reviewed did not contain proper file documentation.
- f. The Company was deemed to be in apparent violation of the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27 as it had not adopted a privacy notice or procedures for North Carolina.

2. Marketing

- a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 11 NCAC 10.1201(c) as the Private Passenger Automobile Policy declarations page had not been filed with and approved by the Department.
- b. The Company was reminded of the provisions of NCGS 58-2-131, 58-2-185, and 19.0106(a)(3) as 4.0 percent of the appointed producer files provided were invalid receipts.
- c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a) and 19.0106(a)(3) as confirmation of appointment was not provided for 47.9 percent of the appointed producers reviewed.
- d. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 6A.0412(2) as background checks were not performed on 10.4 percent of the appointed producers reviewed.
- e. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-56(d) as notification of termination was not sent to 66.7 percent of the terminated producers reviewed.

3. Underwriting Practices

- a. The Company was reminded of the provisions of NCGS 58-37-40(f) and the North Carolina Reinsurance Facility Standard Practice Manual as it failed to apply the recoupment surcharge for 9.0 percent of the active private passenger automobile policies reviewed.
- b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-26 and 58-33-40 as the producer was not properly appointed by the Company for 6.0 percent of the active private passenger automobile files reviewed.

- c. The Company was reminded of the provisions of 11 NCAC 10.0602(a)(5) as proper consent to rate procedures were not followed for 5.0 percent of the active private passenger automobile policies reviewed as the premium for extended transportation expenses exceeded 550 percent of the North Carolina Rate Bureau premium.
- d. The Company was deemed to be in apparent violation of the provisions of NCGS 58-37-35(l) and NCGS 58-36-30(a) as 24.0 percent of the active private passenger automobile policies reviewed were rated incorrectly.

4. Terminations

- a. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4) as 7.0 percent of the cancelled private passenger automobile files were not provided for review.
- b. The Company was reminded of the provisions of NCGS 58-36-85(c) as it failed to provide sufficient notice of cancellation for 2.2 percent of the cancelled private passenger automobile policies reviewed.
- c. The Company was reminded of the provisions of NCGS 58-36-30(a) and Rule 10 of the Personal Auto Manual as the return premium was calculated incorrectly for 9.7 percent of the cancelled private passenger automobile policies reviewed.
- d. The Company was reminded of the provisions of NCGS 58-35-85(1)(2) as 1.1 percent of the cancelled private passenger automobile files reviewed contained no documentation verifying that the premium finance company notified the insured not less than 10 days prior to cancellation of coverage or sent the insurer a request for cancellation.
- e. The Company was deemed to be in apparent violation of the provisions of NCGS 20-309.2 as 61.3 percent of the cancelled private passenger automobile files reviewed contained no evidence that the North Carolina Notice of Termination Form was submitted to the Division of Motor Vehicles when liability coverages were cancelled.
- f. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4) as 10.7 percent of the cancelled private passenger automobile files reviewed contained no documentation verifying the lienholder was notified of the cancellation.
- g. The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-85(b) as proof of mailing of the cancellation notice was not provided for 11.8 percent of the cancelled private passenger automobile files reviewed.

5. Claims

- a. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as 6.0 percent of the automobile medical payments claim files reviewed did not contain complete claim notes.

- b. The Company was reminded of the provisions of NCGS-58-37-35(l) as 2.0 percent of the first and third party bodily injury claim files reviewed listed Uninsured Motorist/Underinsured Motorist limits on the declarations page for which the insured was not eligible.
- c. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as 4.0 percent of the total loss claim files reviewed were missing multiple items of file documentation.
- d. The Company was deemed to be in apparent violation of the provisions of NCGS 58-2-131, NCGS 58-2-185, and 11 NCAC 19.0106 as 20.0 percent of the litigated claim files submitted for review were invalid receipts as they were not litigated claims.
- e. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0105, and 19.0106(a)(5) as 15.0 percent of the litigated claim files reviewed were missing multiple items of file documentation.

TABLE OF STATUTES AND RULES

<u>Statute/Rule</u>	<u>Title</u>
NCGS 58-2-131	Examinations to be made; authority, scope, scheduling, and conduct of examinations.
NCGS 58-2-132	Examination reports.
NCGS 58-2-133	Conflict of interest; cost of examinations; immunity from liability.
NCGS 58-2-134	Cost of certain examinations.
NCGS 58-2-164	Rate evasion fraud; prevention programs.
NCGS 58-2-185	Record of business kept by companies and agents; Commissioner may inspect.
NCGS 58-3-150	Forms to be approved by the Commissioner.
NCGS 58-7-15	Kinds of insurance authorized.
NCGS 58-33-26	General license requirements.
NCGS 58-33-40	Appointment of agents.
NCGS 58-33-56	Notification to Commissioner of termination.

NCGS 58-35-85	Procedure for cancellation of insurance contract upon default; return of unearned premiums; collection of cash surrender value.
NCGS 58-36-30	Deviations.
NCGS 58-36-85	Termination of a nonfleet private passenger motor vehicle insurance policy.
NCGS 58-37-1	Definitions.
NCGS 58-37-35	The Facility; functions; administration.
NCGS 58-37-40	Plan of operation.
NCGS 58-39-25	Notice of insurance information practices.
NCGS 58-39-26	Federal privacy disclosure notice requirements.
NCGS 58-39-27	Privacy notice and disclosure requirement exceptions.
NCGS 58-63-15	Unfair methods of competition and unfair or deceptive acts or practices defined.
NCGS 20-309.2	Insurer shall notify Division of actions on insurance policies.
11 NCAC 1.0602	Insurance Companies' Response to Departmental Inquiries.
11 NCAC 4.0123	Use of Specific Company Name in Responses.
11 NCAC 4.0418	Total Losses on Motor Vehicles.
11 NCAC 4.0421	Handling of Loss and Claim Payments.
11 NCAC 6A.0412	Appointment of Agent: Responsibility of Company.
11 NCAC 10.0602	Consent to Rate Procedures: Rate Bureau Coverages.
11 NCAC 10.1201	General Requirements.
11 NCAC 19.0102	Maintenance of Records.

11 NCAC 19.0103	Complaint Records.
11 NCAC 19.0104	Policy Records.
11 NCAC 19.0105	Claim Records.
11 NCAC 19.0106	Records Required for Examination.

CONCLUSION

An examination has been conducted on the market conduct affairs of Greenville Casualty Insurance Company for the period January 1, 2008 through December 31, 2011 with analyses of certain operations of the Company being conducted through April 8, 2013.

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

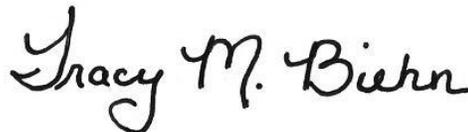
In addition to the undersigned, Kelvin A. Owens and Sharon O'Quinn, North Carolina Market Conduct Examiners, participated in this examination.

Respectfully submitted,



Norma M. Rafter, CPCU
Examiner-In-Charge
Market Regulation Division
State of North Carolina

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



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