

## EXECUTIVE SUMMARY

The Kansas Insurance Department (“KID” or the “Department”) performed a market conduct examination of the Progressive Insurance Group. The examiners reviewed the Companies’ underwriting, claims, and rating manuals. The exam team reviewed underwriting, claim, and complaint files in the administrative offices in Mayfield Village, OH and the claim office in Overland Park, KS. A series of meetings were held with the Group’s staff that focused on their current operations. To supplement and verify the understanding of how the Companies do business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The Companies passed most tests; and in terms of delivering good service to their insureds, the examiners were impressed with the overall positive and very professional performance by the Group’s staff and management to their policyholders. The exam team has made recommendations on several issues.

### LIST OF RECOMMENDATIONS

#### Complaint Handling

1. The Companies need to review their complaint handling/tracking procedures to ensure that the response is timely and within Department guidelines.

The Progressive Companies have changed their complaint handling process since the exam began. Complaints sent physically are scanned, indexed and added to an electronic workflow. Those complaints received via fax or email are indexed and added to an electronic workflow. By adding complaints to the workflow, each state’s specific complaint response requirements are now being monitored.

#### Underwriting

- 1a. Since the exam started, the Companies have re-filed their revised rating factors for the Driver Matrix and the Territorial UM/UIM component. They have not re-filed the component for the Territorial Med-Pay factors. This needs to be done per KSA 40-955.
- 1b. Within 30 days the Companies must file a plan with the Kansas Insurance Department showing how they plan to make restitution to those policyholders who were charged an incorrect premium as a result of using the un-filed rating or vehicle surcharge factors.
2. The Companies must file their deviations for migrating from their “D” market structure to their current “C” market structure. Per KSA 40-955.
3. The Companies must re-file their rating rules P16 and P17. Per KSA 40-955.
4. The Companies must re-file an amended application for those individuals that cannot secure insurance in a normal market. Per KAR 40-3-25.
5. The Companies must re-file Form 1585ks (06/01) to reflect the correct application of the rating of Rule P16 and Rule P17. KAR 40-3-18.

6. The Companies must ensure that the proper refund of any unearned premium accompany the notice of adverse underwriting decision when appropriate. Per KSA 40-2,112.
7. The Companies must take necessary steps to ensure that the cancellations of an auto policy for either the insured's request or for non-pay conform to their filed rating rules and the \$50 Cancellation Fee is applied appropriately. Per KSA 40-955.
8. The Companies must take necessary steps to ensure that all cancellation and non-renewal notices be sent with the appropriate amount of mail time to insure that the Companies are in compliance with Kansas cancellation and non renewal laws and regulations including KSA 60-206.
9. The generic statement of "Low Down Payment" on the back of the dec page is very confusing. It tends to mislead the consumer to think that the "Low Down Pay Surcharge" of 10% is applying to their policy. When in fact it only refers to a surcharge and in fact the increase could be 15% if the insured has opted for the "Bill Plan Surcharge". The wording that indicates there is a surcharge due to minimal down payment should be revised so it is not misleading to the policyholder.

## **CLAIMS**

1. While this is not a critical item and the Companies were within the tolerances set by the NAIC for Claim review, the exam team feels the claim files need to be properly documented to ensure that pertinent events and dates can be reconstructed. Per K.A.R. 40-1-34 (4).
2. The Group needs to review their claim handling procedures for settling a total automobile loss. This would include establishing a cost of a comparable automobile in the local market area if available or securing quotes from a qualified dealer(s) in the local market area per the requirements of K.A.R. 40-1-34 Sec. 9.